

Part I

General Information

1

Name of trust or other entity filing return

2

Employer identification number

3a

Name and title of trustee

3b

Number, street, and room or suite no. (If a P.O. box, see the instructions.)

3c

City or town, state, and ZIP code

4

Number of QFTs included on this return

5

Check applicable boxes:

☐ Initial return
☐ Amended return
☐ Final return
☐ Change in the fiduciary or fiduciary's name
☐ Change in fiduciary's address

Part II

Tax Computation

Income	1a	Interest income . . . . .	1a		
	b	Tax-exempt interest. Do not include on line 1a . . . . .	1b		
	2a	Total ordinary dividends . . . . .	2a		
	b	Qualified dividends . . . . .	2b		
	3	Capital gain or (loss) (attach Schedule D (Form 1041)) . . . . .	3		
	4	Other income. List type and amount . . . . .	4		
	5	Total income. Combine lines 1a, 2a, 3, and 4 . . . . . ►	5		
Deductions	6	Taxes . . . . .	6		
	7	Trustee fees . . . . .	7		
	8	Attorney, accountant, and return preparer fees . . . . .	8		
	9	Other deductions <b>not</b> subject to the 2% floor . . . . .	9		
	10	Allowable miscellaneous itemized deductions subject to the 2% floor . . . . .	10		
	11	Total deductions. Add lines 6 through 10 . . . . . ►	11		
Tax and Payments	12	<b>Taxable income.</b> Subtract line 11 from line 5 . . . . . ►	12		
	13	<b>Tax.</b> (If this is a composite return, check here ► <input type="checkbox"/> ) . . . . . ►	13		
	14	Credits (see instructions). Specify the credits claimed . . . . .	14		
	15	Subtract line 14 from line 13 . . . . .	15		
	16	Net Investment Income Tax from Form 8960, line 21 . . . . .	16		
	17	<b>Total tax.</b> Add lines 15 and 16 . . . . .	17		
	18	Payments (see instructions) . . . . . ►	18		
	19	<b>Tax due.</b> If line 18 is <b>smaller</b> than line 17, enter amount owed . . . . .	19		
	20	<b>Overpayment.</b> If line 18 is <b>larger</b> than line 17, enter amount overpaid . . . . .	20		
		21	Amount of line 20 to be: <b>a Credited to 2016 estimated tax ►</b> <b>b Refunded ►</b>	21	

Sign Here

►

Signature of trustee or officer representing trustee

►

Date

May the IRS discuss this return with the preparer shown below (see instructions)? ☐ Yes ☐ No

Paid Preparer Use Only

Print/Type preparer's name

Preparer's signature

Date

Check ☐ if self-employed

PTIN

Firm's name ►

Firm's EIN ►

Firm's address ►

Phone no.

## General Instructions

Section references are to the Internal Revenue Code.

### Future Developments

For the latest information about developments related to Form 1041-QFT and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/form1041qft](http://www.irs.gov/form1041qft).

### Reminder

**Net investment income tax.** An estate or trust may be subject to net investment income tax (NIIT). NIIT is a 3.8% tax on the lesser of an estate's or trust's undistributed net investment income or the excess of the estate's or trust's adjusted gross income over a specified threshold amount. NIIT may need to be included when figuring estimated tax. In addition, there are special rules when calculating NIIT for a composite return. See *Composite Return*, later.

### Purpose of Form

The trustee of a trust that has elected to be taxed as a qualified funeral trust (QFT) files Form 1041-QFT to report the income, deductions, gains, losses, and tax liability of the QFT. The trustee can use the form to report information for a single QFT or for multiple QFTs having the same trustee. If filing Form 1041-QFT for multiple QFTs, please see the rules discussed under *Composite Return*, later.

Pre-need funeral trusts that do not qualify as QFTs should see the Instructions for Form 1041, U.S. Income Tax Return for Estates and Trusts, for their filing requirements.

### Qualified Funeral Trust

A QFT is a domestic trust that meets all of the following requirements:

- The trust arose as a result of a contract with a person engaged in the trade or business of providing funeral or burial services or property to provide such services.
- The sole purpose of the trust is to hold, invest, and reinvest funds in the trust and to use those funds solely to pay for funeral or burial services or property to provide such services for the benefit of the beneficiaries of the trust.
- The only beneficiaries of the trust are individuals for whom such services or property are to be provided at their death under the contracts described above.
- The only contributions to the trust are contributions by or for such beneficiaries' benefit.
- The trustee makes or previously had made the election to treat the trust as a QFT.
- The trust would have been treated as owned by the purchasers of the contracts under the grantor trust provisions of the Code if the QFT election had not been made.

**Note.** A trust that is not treated as owned by the purchaser solely because of the death of an individual will be treated as meeting this requirement during the 60-day period beginning on the date of that individual's death.

If a QFT has multiple beneficiaries, each beneficiary's separate interest under a contract is treated as a separate QFT for the purpose of figuring the tax and filing this return. Each beneficiary's share of the trust's income is determined in accordance with the beneficiary's interest in the trust. A beneficiary's interest in a trust may be determined under any reasonable method.

Whenever these instructions refer to a trust or QFT, it includes such separate interests that are treated as separate QFTs.

### Making the Election

The trustee makes the election to treat a trust as a QFT by filing Form 1041-QFT for the trust by the due date (including extensions).

You may elect QFT status for a trust's first eligible year or for any subsequent year. Once made, the election may not be revoked without the consent of the IRS.

### Composite Return

A trustee may file a single, composite Form 1041-QFT for some or all QFTs of which he or she is the trustee, including QFTs that had a short tax year.

You must attach a statement to a composite Form 1041-QFT that includes the following information for each QFT (or separate interest treated as a separate QFT):

- The name of the owner or the beneficiary. If you list the name of the owner and that trust has more than one beneficiary, you must separate the trust into shares held by the separate beneficiaries;
- The type and gross amount of each type of income earned by the QFT for the tax year. For capital gains, identify separately the amount of (a) net short-term capital gain, (b) net long-term capital gain, (c) 28% rate gain, and (d) unrecaptured section 1250 gain;
- The type and amount of each deduction and credit allocable to the QFT;
- The tax and payments made for each QFT; and
- The termination date for each QFT that was terminated during the year.

**Note.** When calculating NIIT for a composite return, treat each beneficiary's interest in each QFT (within the meaning of section 685) as a separate trust.

### When To File

File Form 1041-QFT by April 18, 2016. (The filing date is extended to April 18 because Emancipation Day is observed in the District of Columbia on Friday April 15.) The due date for a composite return is also April 18, 2016, even if the return includes QFTs that terminated during the year. If you are filing for a short year, file Form 1041-QFT by the 15th day of the 4th month following the close of the short year. If the due date falls on a Saturday, Sunday, or a legal holiday, file by the next business day.

### Private Delivery Services

You can use certain private delivery services designated by the IRS to meet the "timely mailing as timely filing/paying" rules for tax returns and payments. These private delivery services include only the following.

- FedEx First Overnight, FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Next Flight Out, FedEx International Priority, FedEx International First, and FedEx International Economy.
- UPS Next Day Air Early AM, UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.

The private delivery service can tell you how to get written proof of the mailing date.

### Extension of Time To File

Use Form 7004, Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns, to get a 6-month extension of time to file. An extension of time to file a return does not extend the time to pay the tax.

### Where To File

File Form 1041-QFT at the following address:

Department of Treasury  
Internal Revenue Service  
Cincinnati, OH 45999

### Who Must Sign

#### Trustee

The trustee, or an authorized representative, must sign Form 1041-QFT.

#### Paid Preparer

Generally, anyone who is paid to prepare a tax return must sign the return and fill in the other blanks in the *Paid Preparer Use Only* area of the return. The person required to sign the return must:

- Complete the required preparer information,
- Sign it in the space provided for the preparer's signature, and
- Give you a copy of the return in addition to the copy to be filed with the IRS.

Anyone who is paid to prepare the trust's return must enter their PTIN in the *Paid Preparer Use Only* section. The PTIN entered must have been issued after September 27, 2010. For information, see Form W-12, IRS Paid Preparer Tax Identification Number (PTIN) Application and Renewal.

### Paid Preparer Authorization

If the trustee wants to allow the IRS to discuss the QFT's 2015 tax return with the paid preparer who signed it, check the "Yes" box in the signature area of the return. This authorization applies only to the individual whose signature appears in the *Paid Preparer Use Only* section of the QFT's return. It does not apply to the firm, if any, shown in that section.

If the "Yes" box is checked, the trustee is authorizing the IRS to call the paid preparer to answer any questions that may arise during the processing of the QFT's return. The trustee is also authorizing the paid preparer to:

- Give the IRS any information that is missing from the QFT's return,
- Call the IRS for information about the processing of the QFT's return or the status of its refund or payment(s), and

- Respond to certain IRS notices that the trustee has shared with the preparer about math errors, offsets, and return preparation.

The trustee is not authorizing the paid preparer to receive any refund check, bind the QFT to anything (including any additional tax liability), or otherwise represent the QFT before the IRS.

The authorization will automatically end no later than the due date (without regard to extensions) for filing the QFT's 2016 tax return. If the trustee wants to expand the paid preparer's authorization or revoke the authorization before it ends, see Pub. 947, Practice Before the IRS and Power of Attorney.

## Accounting Methods

Figure taxable income using the method of accounting regularly used in keeping the QFT's books and records. Generally, permissible methods include the cash method, the accrual method, or any other method authorized by the Internal Revenue Code. In all cases, the method used must clearly reflect income.

Generally, the QFT may change its accounting method (for income as a whole or for any material item) only by getting consent on Form 3115, Application for Change in Accounting Method. For more information, see Pub. 538, Accounting Periods and Methods.

## Accounting Period

All QFTs must use a calendar year as their accounting period.

## Rounding Off to Whole Dollars

You may round off cents to whole dollars on your return and statements. If you do round to whole dollars, you must round all amounts. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$1.39 becomes \$1 and \$2.50 becomes \$3. If you have to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

## Estimated Tax

Generally, a QFT must pay estimated income tax for 2016 if it expects to owe, after subtracting withholding and credits, at least \$1,000 in tax. Estimated tax liability is figured for the individual QFT, and not for a composite return taken as a whole. For details and exceptions, see Form 1041-ES, Estimated Income Tax for Estates and Trusts.

## Interest and Penalties

### Interest

Interest is charged on taxes not paid by the due date, even if an extension of time to file is granted. Interest is also charged on the failure-to-pay penalty, failure-to-file penalty, the accuracy-related penalty, and the fraud penalty. The interest charge is figured at a rate determined under section 6621.

## Late Filing of Return

The law provides a penalty of 5% of the tax due for each month, or part of a month, up to a maximum of 25% of the tax due, for each month the return is not filed. If the return is more than 60 days late, the minimum penalty is the smaller of \$135 or the tax due.

The penalty will not be imposed if you can show that the failure to file on time was due to reasonable cause. If you receive a notice about penalty or interest after filing the return, send us an explanation and we will determine whether you meet the reasonable cause criteria. Do **not** attach an explanation to the return.

## Late Payment of Tax

Generally, the penalty for not paying the tax when due is  $\frac{1}{2}$  of 1% of the unpaid amount for each month or part of a month that it remains unpaid. The maximum penalty is 25% of the unpaid amount. The penalty applies to any unpaid tax on the return. Any penalty is in addition to interest charges on late payments.

## Underpaid Estimated Tax

If the trustee underpaid estimated tax, use Form 2210, Underpayment of Estimated Tax by Individuals, Estates, and Trusts, to figure any penalty.



*If you include interest or any of these penalties with your payment, identify and enter these amounts in the bottom margin of Form 1041-QFT. Do not include the interest or penalty amount in the balance of tax due on line 17.*

## Other Penalties

Other penalties can be imposed for negligence, substantial understatement of tax, and fraud. See Pub. 17, Your Federal Income Tax, for details on these penalties.

## Final Form 1041

If you have an existing EIN(s) that you previously used for filing Form 1041 and that you will not use again (i.e., for QFTs included in a composite return), you should file Form 1041 and check the final return box.

## Specific Instructions

### Part I—General Information

#### Line 1—Name of Trust

Copy the exact name from the Form SS-4, Application for Employer Identification Number, used to apply for the employer identification number you are using to file Form 1041-QFT.

#### Line 2—Employer Identification Number (EIN)

If the QFT is not filing as part of a composite return, use the EIN of the QFT. If the QFT does not have an EIN, it must apply for one. Every trustee that elects to file a composite return must apply for an EIN to be used only for filing Form 1041-QFT. A trustee must use a separate EIN for every Form 1041-QFT it files.

A QFT without an EIN can apply for one.

- Online—A QFT can receive an EIN by Internet and use it immediately to file a return. Go to the IRS website at [www.irs.gov/businesses/small](http://www.irs.gov/businesses/small) and click on Employer ID numbers.

- By mail or fax—Send in a completed Form SS-4. Form SS-4 can be obtained online at [www.irs.gov/orderforms](http://www.irs.gov/orderforms).

If the QFT has not received its EIN by the time the return is due, write "Applied for" in the space for the EIN.

### Line 3—Address

Include the suite, room, or other unit number after the street address. If the post office does not deliver mail to the street address and you have a P.O. box, show the box number instead of the street address.

If you want a third party (such as an accountant or an attorney) to receive mail for the QFT, enter on the street address line "C/O" followed by the third party's name and street address or P.O. box.

If you change your address (including a new "in care of" name and address) after filing Form 1041-QFT, use Form 8822-B, Change of Address or Responsible Party—Business, to notify the IRS.

### Line 4—Number of QFTs

If this is a composite return, enter the total number of QFTs (including separate interests treated as separate QFTs) included on the return.

## Part II—Tax Computation

### Composite Return



*If this is a composite return, enter in Part II the totals for all the QFTs included on the return.*

### Income

#### Line 2a—Total Ordinary Dividends

Report all ordinary dividends received during the tax year.

Report capital gain distributions on Schedule D (Form 1041), line 13.

#### Line 2b—Qualified Dividends

Enter on line 2b the amount reported on line 2a that is a qualified dividend. A qualified dividend is a dividend received during the tax year from (a) a domestic corporation or (b) a qualified foreign corporation. A qualified dividend does not include: any dividend from a corporation if the corporation is (or was) exempt from income tax under section 501 or 521 for the tax year during which the distribution was made, any amount allowed as a deduction under section 591, or any dividend described under section 404(k).

**Exception.** Some dividends may be reported to the trust as qualified dividends but are not qualified dividends. See the instructions for line 2b(2) in the 2015 Instructions for Form 1041 for more information.

#### Line 4—Other Income

Enter all other types of income not included on line 1a, 2a, or 3. List the type and amount on an attached statement if the QFT(s) has more than one item.

**Deductions****Allocation of Deductions for Tax-Exempt Income**

Generally, no deduction that would otherwise be allowable is allowed for any expense that is allocable to tax-exempt income, such as interest on state or local bonds.

**Exception.** State income taxes and business expenses that are allocable to tax-exempt interest are deductible.

Expenses that are directly allocable to tax-exempt income are allocable only to tax-exempt income. A reasonable proportion of expenses indirectly allocable to both tax-exempt income and other income must be allocated to each class of income.

**Limitations on Deductions**

Generally, the amount a QFT has "at-risk" limits the loss it can deduct in any tax year. Also, section 469 and its regulations generally limit losses from passive activities to the amount of income derived from all passive activities. Similarly, credits from passive activities are generally limited to the tax attributable to such activities.

For details on these and other limitations on deductions, see *Deductions* in the Instructions for Form 1041.

**Line 9—Other Deductions Not Subject to the 2% Floor**

Attach your own statement, listing by type and amount all allowable deductions that are not deductible elsewhere on the form.



*QFTs are not allowed a deduction for a personal exemption.*

**Line 10—Allowable Miscellaneous Itemized Deductions Subject to the 2% Floor**

These deductions are deductible only to the extent that the aggregate amount of such deductions exceeds 2% of adjusted gross income (AGI).

Among the miscellaneous itemized deductions that must be included on line 10 are expenses for the production or collection of income, such as investment advisory fees.

AGI is figured by subtracting from total income on line 5 the total of the administrative costs on lines 7 through 9 to the extent they are costs incurred in the administration of the QFTs that would not have been incurred if the property were not held by the QFTs.

If this is a composite return, you must figure the AGI separately for each QFT using each QFT's share of the amounts on the lines referred to above.

**Line 13—Tax**

**Tax rate schedule.** Unless the instructions that follow for *Schedule D* or *Composite Return* apply, figure the tax using the Tax Rate Schedule below. Enter the tax on line 13.

<b>2015 Tax Rate Schedule</b>				
<b>If taxable income is:</b>	<b>But not over</b>	<b>Its tax is:</b>		<b>Of the amount over—</b>
Over—				
\$0	\$2,500	15%		\$0
2,500	5,900	\$375.00 +	25%	2,500
5,900	9,050	1,225.00 +	28%	5,900
9,050	12,300	2,107.00 +	33%	9,050
12,300	----	3,179.50 +	39.6%	12,300

**Schedule D.** If the QFT had both a net capital gain and any taxable income, or any qualified dividends and any taxable income, complete Part V of Schedule D (Form 1041); on line 13 then enter the tax from line 45 of Schedule D.

**Composite return.** If this is a composite return, check this box and enter on line 13 the total of the tax computed separately for each QFT using either the 2015 Tax Rate Schedule above or Schedule D (Form 1041).

**Line 14—Credits**

Specify the type of credit being claimed and attach any required credit forms. If you are claiming more than one type of credit, attach a statement listing the type and amount of each credit claimed. See the Instructions for Form 1041 for details on the credits that may be claimed.

**Line 16—Net Investment Income Tax**

For tax years beginning on or after January 1, 2013, a QFT may be liable for the net investment income tax enacted under section 1411. To determine if this tax applies, see Form 8960, Net Investment Income Tax—Individuals, Estates, and Trusts, and its instructions.

**Line 17—Total Tax**

If the QFT owes any additional taxes (for example, alternative minimum tax, recapture taxes, etc.), include these taxes on line 17. To the left of the entry space, write the type and amount of the tax. Also attach to Form 1041-QFT any forms required to figure these taxes (for example, Schedule I (Form 1041)). See the Instructions for Form 1041 for more details on additional taxes that may apply.

**Line 18—Payments**

Include on line 18 any of the following.

- Estimated tax payments made for 2015.
- Tax paid with a request for an extension of time to file.
- Federal income tax withheld (for example, backup withholding).
- Credit for tax paid on undistributed capital gains. Also attach Copy B of Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains.

**Line 19—Tax Due**

You must pay the tax in full when the return is filed. Make the check or money order payable to "United States Treasury." Write the EIN from line 2 of the form and "2015 Form 1041-QFT" on the payment. Enclose, but do not attach, the payment with Form 1041-QFT.

**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us this information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

**Recordkeeping** . . . . . 10 hr., 2 min.

**Learning about the law or the form** . . . . . 2 hr., 18 min.

**Preparing the form** . . . . . 5 hr., 21 min.

**Copying, assembling, and sending the form to the IRS** . . . . . 48 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can send us comments from [www.irs.gov/formspubs/](http://www.irs.gov/formspubs/). Click on "More Information" and then on "Give us feedback." Or you can send your comments to Tax Forms and Publications Division, Internal Revenue Service, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the tax form to this address. Instead, see *Where To File*.