

**FILE ELECTRONICALLY USING MODERNIZED e-FILE (MeF)**

Carefully read all instructions when completing this return.

**NEW FOR 2023****Mandatory Electronic Filing**

For tax years ending on or after December 31, 2023, Iowa fiduciary income taxpayers are required to file their annual returns electronically if the taxpayer meets any of the following conditions for the tax year:

- The taxpayer has at least \$250,000 in gross receipts. "Gross receipts" means gross receipts or sales from all business operations conducted within and without Iowa without any adjustment for returns and allowances, and also includes receipts from all interest, dividends, rents, and royalties; income from ordinary and capital gains; and the distributive share of income received by the taxpayer from a partnership, S corporation, estate, or trust. Iowa Admin. Code r. 701—8.7(1).
- The taxpayer is claiming \$25,000 or more in tax credits on the Iowa return for the year.
- The taxpayer is required to issue at least 10 schedule K-1s to its beneficiaries for the tax year.

All fiduciaries are encouraged to file electronically. If a fiduciary return is subject to the electronic filing requirement, but it is filed in another manner, it is not considered a valid return unless the Department provides an exception to the electronic filing requirement.

**Alternative Minimum Tax**

The Iowa Alternative Minimum Tax has been repealed for tax years beginning on or after January 1, 2023. Taxpayers may still apply any Alternative Minimum Tax Credit carryforward from a prior year on their 2023 return. The Alternative Minimum Tax Credit will expire for tax years beginning on or after January 1, 2024.

**Schedule A, lines 4 and 6:** There is no longer a separate Iowa net operating loss (NOL) calculation. Taxpayers must add back federal NOLs incurred prior to January 1, 2023. Taxpayers may apply NOLs carried forward from tax years beginning prior to January 1, 2023. Taxpayers must include the new IA 124 to calculate their Iowa NOL carryforwards and federal NOL addbacks from tax years beginning prior to January 1, 2023.

**Line 22:** The qualified business income deduction has increased from 75% to 100% of the federal deduction. The DPAD 199A(g) deduction has increased from 75% to 100% of the federal deductions.

**Line 41:** Taxpayers claiming the Pass-Through Entity Tax (PTET) Credit should report the credit on line 41. Include the IA Schedule CC with your return.

**Returns to File**

An Iowa fiduciary return (IA 1041) must be filed for estates, trusts, and other entities that are taxed as trusts for federal income tax purposes.

An Iowa Composite Return (IA PTE-C) must be filed if the estate or trust has any nonresident beneficiaries.

Additionally, an Iowa individual income tax return (IA 1040) must be filed for the following:

- The decedent, if the income during the tax period ending with the date of death meets the Iowa resident or nonresident filing requirements. This return must be prepared with the same method of accounting last used by the decedent.
- Wards in guardianships or conservatorships.
- Resident and nonresident beneficiaries of estates or trusts, if the minimum filing requirements are met.

For more information, see Iowa Administrative Code rule 701—700.4.

**Required Documents to File with the IA 1041 Iowa Fiduciary Return**

- All pages of the IA 1041, including schedules, and all completed IA 1041 K-1s.
- A copy of the federal form 1041 return, including all schedules and K-1s for each beneficiary.
- A copy of the decedent's will must accompany the initial fiduciary return if the Department has not previously received a copy for inheritance tax purposes.
- A copy of inter vivos trust instruments must be filed with the initial return for the trust.
- If the will has been filed in Iowa probate proceedings, then this instrument is not required to be filed with the initial return of testamentary trusts.
- If the probate inventory has not been filed in Iowa probate proceedings at the time the initial fiduciary return is filed, a statement should accompany the return advising when the inventory will be filed.
- A probate inventory for a foreign estate should be filed with the return if an ancillary administration has not been opened in Iowa.
- A copy of the Iowa Composite Credits Schedule, IA Schedule CC, if a composite or PTET credit was claimed.

**Amended Return**

If an amended federal return was filed, the taxpayer must file an amended Iowa return and include the IA 102. Use the IA 1041 to file and check the "Amended Return" box.

**Preparer PTIN**

Enter the preparer's Preparer Tax Identification Number (PTIN). If the preparer does not have a PTIN, enter the preparer's Social Security Number (SSN) or Federal Employer Identification Number (FEIN).

**When to File**

The return with payment is due within four calendar months after the end of the tax year. A fiduciary return must be filed for every accounting period in which there is taxable income of \$600 or more and for the final accounting period regardless of income.

All income from the probate property owned by the decedent must be reported until the property is sold or distributed, or disposition of the property is made. Income derived from probate property should also be reported if the income is deposited in an estate bank account and expenses relating to the probate property are paid from estate funds and controlled by the fiduciary. The income derived from non-probate property must be reported on the beneficiaries' individual income tax return.

**How and Where to File**

The Iowa Department of Revenue accepts Iowa Fiduciary Tax Returns (IA 1041) through **Modernized e-File (MeF)**. The Department also accepts Fiduciary returns submitted by mail.

Mail paper returns to:

Fiduciary Return Processing  
Iowa Department of Revenue  
PO Box 10467  
Des Moines, Iowa 50306-0467

**Mandatory Electronic Filing**

For tax years ending on or after December 31, 2023, Iowa fiduciary income taxpayers are required to file their annual returns electronically if the taxpayer meets any of the following conditions for the tax year:

- The taxpayer has at least \$250,000 in gross receipts. Gross receipts means gross receipts or sales from all business operations conducted within and without Iowa without any adjustment for returns and allowances, and also includes receipts from all interest, dividends, rents, and royalties; income from ordinary and capital gains; and the distributive share of income received by the taxpayer from a partnership, S corporation, estate, or trust.

- The taxpayer is claiming \$25,000 or more in tax credits on the Iowa return for the year.
- The taxpayer is required to issue at least 10 schedules K-1 to its beneficiaries for the tax year.

All fiduciaries are encouraged to file electronically. If a fiduciary return is subject to the electronic filing requirement, but it is filed in another manner, it is not considered a valid return unless the Department provides an exception to the electronic filing requirement.

### **Refund Claims and Federal Tax Changes**

Claims for refund must be made within a certain period of time. The Department has additional time to make a determination of the correct tax following a federal amended return or federal audit, and that additional time is unlimited if the taxpayer does not provide sufficient notice of the federal changes to the Department. For more information regarding refund claims and federal tax changes, see the instructions to the IA 102 Amended Return Schedule.

### **State Pass-Through Representative**

If the estate or trust desires to appoint someone other than the fiduciary as the state pass-through representative for purposes of Iowa Code section 422.25B, a statement should be included with the return indicating who is appointed as state pass-through representative as well as their contact information.

### **Distributions**

A distribution of property-in-kind to a beneficiary entitled to the income made after June 1, 1984, in taxable years ending after that date is subject to an election by the fiduciary to recognize any gain or loss in the estate or trust. The election is an affirmative act and failure to indicate whether or not the election is made will be construed as an election by the fiduciary not to recognize any gain or loss on the distribution.

The election applies to all distributions made during the taxable year.

### **Return Instructions**

The following instructions are for completing the Iowa fiduciary return. Detailed instructions are provided for lines requiring special attention.

### **Conformity with Internal Revenue Code**

Iowa generally conforms with federal tax changes, to the extent they affect Iowa income taxes, for tax years beginning on or after January 1, 2020, but certain Iowa nonconformity adjustments may be necessary.

## **Return Information**

### **Tax Period**

The IA 1041 applies to a single tax year of no more than twelve months. Unless indicated on the form, the IA 1041 is assumed to apply to the calendar year indicated at the top of the form. If the return is for a fiscal year, enter the beginning and ending dates.

### **Return Type**

Check the appropriate boxes to indicate whether this is an initial, final, amended, or short period return. Indicate if you are making a section 645 election. You may need to check more than one box. Note: If a tax certificate of acquittance is requested the final return box must be checked and the face of the return must indicate that a tax certificate of acquittance is requested.

### **Tax Certificate of Acquittance**

The following minimum requirements must be met in order to be eligible to receive an income tax certificate of acquittance:

- The “Final Return” box must be marked.
- The box must be marked “Yes” for the Tax Certificate of Acquittance request. If the “No” box is checked, you must refile the return with “Yes” marked in order to correct the error and to be eligible to receive a Tax Certificate of Acquittance.
- Iowa taxable income, on IA 1041, line 25 must be zero.

The tax Certificate of Acquittance will be mailed to the fiduciary reported on the return. A carbon copy will be mailed to the Power of Attorney, if one is reported. A Tax Certificate of Acquittance will not be mailed to a Designee reported under the ‘Designation for Tax Disclosure’ section.

The Department will not issue a Tax Certificate of Acquittance for a grantor trust under any circumstances. Furthermore, on a final return for an estate the appropriate box must be checked to indicate whether or not an Iowa Inheritance Tax Return, IA 706, will be filed.

### **Residency and Trust Situs**

For estates and testamentary trusts: Indicate the decedent’s residence at time of death. For inter vivos trusts: If the trust is created by court order or makes an accounting to the court, indicate the situs based on the court having jurisdiction over the trust.

If the trust is a grantor trust, indicate the grantor’s or owner’s residence. If the trust, other than a grantor trust, is not required to make an accounting to and is not subject to control of a court, its situs

depends on the relevant facts of the case including:

- The residence of the trustees
- The location of the principal office where the trust is administered
- The location of the evidence of intangible assets of the trust

For more information about determining the situs of a trust, see Iowa Administrative Code rule 701—700.3.

**Composite Return Requirement**

For tax years beginning on or after January 1, 2022, trusts and estates with nonresident beneficiaries are required to complete and file an IA PTE-C and pay composite tax on behalf of their nonresident beneficiaries. Answer the five questions on the IA 1041, page 2 to determine if you have a composite return requirement. If you answer “Yes” to any of questions 1-4, the estate or trust has a nonresident beneficiary and must file an IA PTE-C. If you answer “No” to all of questions 1-4, you are not required to file an IA PTE-C. See the IA PTE-C for more information about the Iowa composite return requirement.

If you answer “Yes” to question 5, you may claim your composite credit against any fiduciary income tax owed on the IA 1041, or against any composite tax owed on your IA PTE-C if you are required to file an IA PTE-C. To claim a composite credit on the IA 1041, line 41, complete the IA Schedule CC and include it with this return. See the IA PTE-C for information about how to claim a composite credit against Iowa composite tax.

**Third Party Authorization**

All correspondence, including income tax certificates of acquittance, will be mailed to the Power of Attorney (POA) reported on the IA 1041. If a POA is not reported on the return filed, all correspondence, including the income tax certificate of acquittance, will be mailed to the Fiduciary reported on the return.

More information about the Department's Third-Party Authorization procedure is available at (tax.iowa.gov) in the Confidentiality, Disclosure, and Authorized Representation section.

**Lines 1-18: Income and Deductions.**

The amounts entered on lines one through eighteen should mirror the information shown on your federal return. Any modifications should be reported on line 19.

**Line 19: Iowa Net Modification from Schedule A, Part II, line 8.** See Schedule A instructions.

**Line 21: Iowa Income Distribution Deduction from Schedule B, line 15.** See Schedule B instructions.

**Line 22: Qualified Business Income Deduction.** Report the same amount of qualified business income deduction as reported for federal purposes.

**Line 25: Iowa taxable income.**

On a final return taxable income must be zero.

**Line 26: Tax from rate schedule.**

**Taxable Income**

2023 INCOME TAX BRACKETS		2023 TAX RATES			
Over	But not over				Of excess over
\$0	\$6,000	\$0	plus	4.4%	\$0
\$6,000	\$30,000	\$264	plus	4.82%	\$6,000
\$30,000	\$75,000	\$1,420.80	plus	5.7%	\$30,000
\$75,000		\$3,985.80	plus	6.0%	\$75,000

**Example on how to compute tax:** The taxable income is \$24,000.

The calculation = \$264.00 + [4.82% x (\$24,000 - \$6,000)].

The result = \$867.60 + \$264.00 = \$1131.60.

**Line 28: Iowa Lump-Sum Tax.**

If federal form 4972 was used to compute federal tax on all or part of a lump-sum distribution, enter 25% of the separate federal tax imposed. A copy of federal form 4972 must be included.

**Line 30: Tax on the ESBT Portion of the Trust from Schedule E, line 5.**

See Schedule E instructions.

**Line 32: Personal Exemption Credit.**

A \$40 exemption credit is allowed on all fiduciary returns regardless of whether the return covers less than a full tax year. This is a nonrefundable credit.

**Lines 33 and 35: Nonresident Tax Credit or Out-of-State Tax Credit.**

Iowa estates and trusts that have income from non-Iowa sources must report this income to Iowa for taxation. If income tax has been paid on the non-Iowa income to another jurisdiction, a credit for the tax paid will be allowed and computed in the same manner as for Iowa individual income tax using form IA 130. Nonresident estates and trusts are not eligible.

**Line 37: Other Nonrefundable Credits.**

Do not include any amounts that are allocated to a beneficiary. Generally, these credits are apportioned on the basis of the income allocable to the estate or trust and the beneficiaries. Enter the Part I Total of the IA 148 Tax Credits Schedule. The amount claimed on line 37 must be limited not to exceed the amount of tax on line 31, minus the personal exemption credit on line 32 and the out-of-state or nonresident credit on lines 33 and 35. The IA 148 Tax Credits Schedule must be included.

**Line 39: Income Tax Withheld.**

Enter the total amount of income tax withheld for Iowa from your W-2s and 1099s. This will be the figure shown in the box labeled "State income tax." Also enter the total amount of Iowa withholding identified on all K-1s. Reduce the total withholding reported by the amount of withholding passed through to beneficiaries and reported on the IA 1041 K-1, Part III, line 1.

**Line 41: Composite return and PTET credit.** Enter any Iowa Composite and PTET Credits as reported on IA Schedule CC. You must include IA Schedule CC.

**Line 42: Motor Fuel Tax Credit.** A credit may be claimed for Iowa motor vehicle fuel tax paid on fuel used off-highway in an unlicensed vehicle. If the ordinary income during the accounting period is completely or partially accumulated and tax is the obligation of the fiduciary, the credit is claimed on line 42. If the ordinary income is fully distributed, the credit cannot be claimed on the fiduciary return. Instead, the beneficiaries are entitled to claim their pro rata share of the credit on their individual income tax returns. The fiduciary must provide each beneficiary with an IA 4136 Motor Fuel Tax Credit form and a supplemental schedule showing the distribution of credit among the beneficiaries, allowing the beneficiary to claim the credit.

**Line 43: Other Refundable Credits.**

Do not include any amounts that are allocated to a beneficiary. Generally, these credits are apportioned on the basis of the income allocable to the estate or trust and beneficiaries. Enter the Part II Total of the IA 148 Iowa Tax Credits Schedule. The IA 148 Tax Credits Schedule must be included.

**Line 46: Refund.**

If you want to have your refund issued to you as a paper check, enter the refund amount on line 46 and leave lines 46a, 46b, and 46c blank. The check will be issued to the address listed on your return.

If you would like your refund directly deposited proceed to lines 46a, 46b, and 46c.

A sample check from ANYTOWN BANK, 1000 BANKING WAY, ANYTOWN, CA 90000. The check is dated and payable to JOHN DEPOSITOR, 1430 ANY STREET, ANYTOWN, CA 90000. The amount is in dollars. The routing number is 82000024578 and the account number is 24578021. The check includes fields for routing and account numbers.

**Note:** The routing and account numbers may be in different places on your check.

**Direct deposit of a refund:** Do not input your account and routing information in rows "a" and "b" if you have an amount due on line 48.

**46a.** Input your financial institution's routing number. The routing number for a checking account must be nine digits. See sample above for routing number example, or contact your financial institution if you are unsure.

**46b.** Input your account number. The account number for a checking account may have up to 17 digits. See sample above for account number example, or contact your financial institution if you are unsure. For savings accounts you may need to contact your financial institution to obtain the account number. The entire refund amount will be deposited into this one account.

**46c.** Check either checking or savings to indicate what type of account the refund will be deposited into.

**Note:** The account the refund will be issued to must be located in the United States. Verify that the routing and account numbers are correct to avoid a delay in your refund. Any error will result in a paper refund. Do not request a deposit of your refund to an account that is not in your name, such as your tax return preparer's account. Although you may owe your tax return preparer a fee for preparing your return, do not have any part of your refund deposited into the preparer's account to pay the fee.

**Line 47: Penalty and interest.**

**Failure to Timely File a Return:** If the return is filed after the original due date of the return and less than 90% of the correct amount of tax was paid by the original due date, multiply the unpaid tax by 5% (.05) and enter that amount on line 47a 'Penalty'. This penalty is in addition to any penalty for failure to timely pay the tax due, as described below.

If you are subject to both penalties, add this penalty amount to the amount calculated below and enter the sum on line 47a 'Penalty'.

**Note:** If 90% of the correct amount due is paid by the original due date of the return, then no penalty will be assessed provided that the return is filed within six months of the due date. Any tax elections made on the return will be considered timely if the return is filed no later than six months from the original due date. If additional payment is necessary in order to meet the 90% requirement, you must pay using the Iowa Fiduciary Income Tax Payment Voucher (63-007). Extension form 60-027 is used for inheritance tax purposes only.

**Failure to Timely Pay the Tax Due:** A penalty of 5% must be added to the tax due if less than 90% of the correct amount of tax was paid by the original due date of the return. Multiply the unpaid tax by 5% (.05) and enter that amount on line 47a 'Penalty'. This penalty is in addition to any penalty for failure to timely file, as described above. If you are subject to both penalties, add this penalty amount to the amount calculated above and enter the sum on line 47a 'Penalty'.

**Audit or Examination Deficiency:** A penalty of 5% will be added to the unpaid tax if the Department discovers an underpayment during an audit or examination.

**Fraud:** A penalty of 75% will be added to the fraudulent claim or unpaid tax for fraudulent claims or willful failure to file a return.

**Waivers:** Penalties can be waived under limited circumstances, as described in Iowa Code section 421.27. Complete and submit a Penalty Waiver Request form (78-629) to request a penalty be waived.

#### **Line 48: Amount Due**

Payment options include payment through Modernized eFile (MeF), GovConnect.iowa.gov, or payment by check. Go to the Department's website for electronic payment options. Do not send cash. Submit a voucher if making a payment by check. Vouchers are available on GovConnect.iowa.gov. However, if you are amending to report a federal centralized partnership audit change and you have elected to pay the tax due on the owners' behalf, you must complete the IA 103, include the amount due from the IA 103 on this line, and then submit the IA 103 with payment to the address listed on the IA 103.

## **Schedule A: Iowa Modifications**

### **Additions:**

#### **Line 1: Interest from foreign securities and state municipal securities**

Add interest from foreign securities and state and municipal securities to the extent that interest was exempt from federal tax. However, interest from certain Iowa state and municipal securities is exempt from Iowa tax and should not be included on this line. For more information, see Iowa Code section 422.7(2); Iowa Administrative Code rules 701—302.3, 700.8(7)"e".

#### **Line 2: Dividends not included in federal income**

Add dividends not included in federal income, including dividends from foreign securities and state and municipal securities to the extent those dividends were exempt from federal tax. However, dividends from certain Iowa state and municipal securities are exempt from Iowa tax and should not be included on this line. For more information, see Iowa Code section 422.7(2); Iowa Administrative Code rule 701—302.3.

#### **Line 3: Taxable federal refund**

If you received a federal tax refund in 2023, you must report the amount on IA 1041, Schedule A, Part I, line 3. The federal refund must be included on this line because you benefited from being able to deduct federal taxes on the prior year's Iowa return, which reduced your Iowa taxable income for that year. The amount reported on the Schedule A, Part I, line 3 should not exceed the total amount of any federal tax deduction taken on the prior year(s) Iowa return.

If you chose to have any part of an overpayment of federal income tax credited to federal estimated tax payments for 2023, the amount may not be deducted because the amount is applied to a tax period which begins on or after January 1, 2023. The total overpayment is reported on Schedule A, Part I, line 3.

Any portion of the federal refund received due to the fuel tax credit must be reported on the Iowa return. Report any federal income tax refund received in 2023 for tax year 2022 or any other years that were amended or filed late.

#### **Do not include the federal refund in the following situations:**

- You are filing an Iowa return for 2023 for the first time. A refund of federal tax received in 2023 is not reported if the tax was not deducted from Iowa income in a prior year.

- The refund you received was from a year in which you did not take a deduction for the payment of federal tax because your income was less than the minimum amount for paying Iowa tax or your tax for that year was calculated using the alternate tax computation.
- The trust or estate was a nonresident for the tax year of the refund and was not required to file an Iowa return for that year.

**Line 4: Other income**

Enter other additions to income on this line, and state the nature of the income. List the type and amount on an included schedule. Items included on this line include but are not limited to all of the following:

- Other income reported on the estate's or trust's federal form 1041, line 8.
- Depreciation adjustment from the IA 4562A and the IA 4562B. Include both schedules with the return.
- Nonconformity adjustments from the IA 101. Include the form with the return. If the estate or trust is also a member of another pass-through entity, enter the estate's or trust's distributive share of Iowa modifications furnished by the pass-through entity if the modifications result in a positive amount. This is the amount reported on your IA 1065 K-1, line 19, or on your IA 1120S K-1, line 16.
- If the estate or trust is also a member of another pass-through entity, enter the estate's or trust's distributive share of Iowa modifications furnished by the pass-through entity if the modifications result in a positive amount. This is the amount reported on your IA 1065 K-1, line 18(a), or on your IA 1120S K-1, line 16(a).
- Any adjustment from IA 163 Interest Expense Adjustment resulting in an addition to income. Include IA 163 with your return.
- Report the amount of federal net operating loss included on IA 1041, line 16.
- Federal net operating loss carryforward incurred prior to January 1, 2023 from IA 124, Part I, line 3.
- Other income required under Iowa law.

**Subtractions:****Line 1: Taxable interest income received from federal obligation**

Subtract interest received from federal securities. For more information, see Iowa Code section 422.7(1); Iowa Administrative Code rule 701—302.2, 89.8(7)"e".

**Line 2: Dividend income received from federal obligations**

Subtract dividends received from federal securities. For more information, see Iowa Code section 422.7(1); Iowa Administrative Code rule 701—302.2.

**Line 4: Federal income tax paid**

Report all federal tax withheld, estimated tax payments, and federal taxes paid in 2023 for tax year 2022.

Enter the amount(s) listed in the box labeled "Federal income tax withheld" on the K-1 or 1099 form(s) that you received.

Enter the federal estimated income tax payments made in 2023 for tax year 2022.

**Line 5: Administrative expenses allowed for estate tax purposes**

Report the same administrative expenses as deducted for federal purposes.

**Line 6: Other deductions**

Enter other deductions to income on this line, and state the nature of the deduction. List the type and amount on an included schedule. Items included on this line include but are not limited to all of the following:

- Depreciation adjustment from the IA 4562A and the IA 4562B. Include both schedules with the return.
- For burial trust funds, described in Iowa Code section 523A.102, subtract interest and earnings received to the extent included in income.
- Nonconformity adjustments from the IA 101. Include the form with the return. If the estate or trust is also a member of another pass-through entity, enter the estate's or trust's distributive share of Iowa modifications furnished by the pass-through entity if the modifications result in a negative amount. This is the amount reported on your IA 1065 K-1, line 19, or on your IA 1120S K-1, line 16.
- Any adjustment from IA 163 Interest Expense Adjustment resulting in a reduction to income. Include IA 163 with your return.
- Iowa net operating loss carryforward incurred prior to January 1, 2023 from IA 124, Part II, line 5.
- Other deductions allowed under Iowa law.

**Schedule B: Iowa Distributable Net Income**

The income distribution deduction allowable to estates and trusts for amounts paid, credited, or required to be distributed to beneficiaries is limited to Iowa Distributable Net Income (DNI).

This amount, which is figured on line 7, is also used to determine how much of an amount paid, credited, or required to be distributed to a beneficiary will be includible in his or her gross income.

### **Schedule C: Computation of Nonresident/Part-Year Resident Tax Credit**

**Complete this form if the trust or estate has Iowa source income and the situs of the trust or estate is outside of Iowa for the full year or for part of the year.**

**Nonresident Instructions:** A full-year nonresident trust or estate should list all-source income and deductions from page 4 of the return in Column A, and list all Iowa source income and deductions in Column B of IA 1041 Schedule C.

**Part-year instructions:** A part-year nonresident trust or estate should list all-source income and deductions from page 4 of the return in Column A, and list all source income and deductions received or paid while maintaining situs in Iowa plus any Iowa-source income received while a nonresident in Column B of IA 1041 Schedule C.

**Iowa-source income:** Iowa source income reportable in Column B of IA 1041 Schedule C includes, but is not limited to, income from an Iowa business, farm, or other real estate; and wages, fees, or commissions earned in Iowa. Income from bank accounts, stocks, bonds, or other intangible personal property is assigned to Iowa only to the extent that it is from a business, trade, or profession carried on within Iowa.

### **Schedule E: Electing Small Business Trust Tax Computation (ESBT)**

**Line 1:** Enter total federal adjusted ESBT income as determined on the separate schedule prepared for the federal estate and trust income tax return. Include the federal schedule with the Iowa tax return.

**Line 2:** Enter total Iowa additions to ESBT income. Common additions can be located in the IA 1041, Schedule A, Part I instructions. If the ESBT received Iowa Schedules K-1, include the amounts from Part II, line 16, on this line if the net modification is positive. Include a statement that separately lists the additions.

**Line 3:** Enter total Iowa deductions to ESBT income. Common deductions can be located in the IA 1041, Schedule A, Part II instructions. If the ESBT received Iowa Schedules K-1, include on this line the amounts from Part II, line 16, on this line if the net modification is negative. Include a statement that separately lists the deductions.

**Line 6:** Report amount of Iowa source income after any related modifications reported on lines 2 and 3.

### **Iowa 1041 Schedule K-1**

#### **Instructions for preparing the IA 1041 Schedule K-1**

IA Schedule K-1 shows each beneficiary's share of Iowa source income, Iowa modifications, Iowa tax credits, and other important information. Complete information for each beneficiary in an acceptable format must be provided. The IA 1041 and IA Schedule K-1 are provided on our website.

#### **General Information**

##### **Estate or Trust information**

Enter the name and Federal Employer Identification Number (FEIN) of the estate or trust on each IA Schedule K-1. If this is an amended IA Schedule K-1, check the "Amended K-1" box. If this is a final IA Schedule K-1, check the "Final K-1" box.

##### **Beneficiary Information**

- Enter name, Social Security Number (SSN) or FEIN, and address of beneficiary. In the case of a disregarded entity, enter the applicable information of the beneficial owner.
- Check either the resident beneficiary or nonresident beneficiary box. A nonresident beneficiary includes any individual who is not a resident of Iowa, any estate or trust without a situs in Iowa, or any business entity (corporation, partnership, LLC, other) without a commercial domicile in Iowa. Any beneficiary whose state or residence, situs, or commercial domicile, as applicable, is not known by the partnership shall be considered a nonresident beneficiary.
- Check the appropriate box for the estate or trust entity type.
- Enter beneficiary's percentage of ownership in the trust or estate.

##### **Part I: Iowa Adjustments.**

Enter the beneficiary's pro rata share of Iowa adjustments from IA 1041, Schedule A, Part II, line 8.

##### **Part II: Nonresident beneficiary share of Iowa source distributable net income**

Complete Part II only if the beneficiary is a nonresident beneficiary. On lines 1-8, enter the beneficiary's pro rata share of the Iowa sourced income amount reported on IA 1041 lines 1-8. On line 9 enter the beneficiary's share of the Iowa source modifications reported on Schedule A.



Example: Simple trust A has the following sources of income:

Interest from US EE savings bond interest: \$5,000  
Iowa farm income: \$20,000

The trust also reports the following subtractions on Schedule A, Part II:

Line 1 - Taxable interest received from federal obligations: \$5,000

Line 6 - Depreciation adjustment from form IA 4562A: \$4,500

The trust has two beneficiaries which share in the income equally. Beneficiary A is a resident of the state of Iowa, beneficiary B is a non-resident of Iowa. The IA 1041 K-1s would report the following amounts for the beneficiaries:

Part I - Both beneficiaries would report 50% of the modifications reported on Schedule A of (\$4,750)  $((-\$5,000 - \$4,500) * 50\% \text{ interest})$

Part II - The K-1 for beneficiary A would leave Part II blank, this section is only to be completed for non-resident beneficiaries,

The K-1 for beneficiary B would report 2 items:

Line 6 would report the beneficiary's share of Iowa farm income: \$10,000  $(\$20,000 \text{ farm income/loss from line 6 of IA 1041} * 50\%)$ .

Line 9 would report the beneficiary's share of the modification reported on Schedule A from Iowa sources. In this example, only the depreciation adjustment related to the farming operation is Iowa source income. Line 9 would report (2,250)  $(-\$4,500 * 50\%)$ .

### Part III: Supplemental Information

- Enter the beneficiary's pro rata share of Iowa income tax withheld and passed through to the beneficiary by the estate or trust. Reduce the total withholding reported IA 1041, line 39 by the amount of withholding passed through to beneficiaries and reported on this line.
- Enter the beneficiary's pro rata share of each Iowa tax credit included by the partnership on the IA 1041, lines 37 and 43. For each tax credit claim provide the tax credit code, tax credit certificate number (if applicable), and current year amount allocated to the beneficiary. Tax credits must be allocated to beneficiaries in the ratio of each beneficiary's share of the earnings of the trust or estate to the trust or estate's total earnings, unless Iowa law explicitly provides for a different method of allocation.

### Part IV: Composite Information

Enter the nonresident beneficiary's share of the Iowa composite tax paid by the trust or estate as listed on the trust or estate's IA PTE-C, Nonresident Member Schedule, column I.

**Note:** The PTET credit claimed by a trust or estate cannot be allocated to a beneficiary.