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Instructions for Schedule K-1 (Form 1041) for a Beneficiary Filing Form 1040

Note. The fiduciary's instructions for completing Schedule K-1 are in the Instructions for Form 1041.

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Schedule K-1 (Form 1041) and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form1041](https://www.irs.gov/Form1041).

What's New

Beneficiary deductions. Section 67(g) suspends miscellaneous itemized deductions subject to the 2% floor for tax years 2018 through 2025. See [Notice 2018-61](#) for information about allowable beneficiary deductions under section 67(e) and 642(h).

Deduction for qualified business income. For tax years beginning after December 31, 2017, taxpayers other than corporations may be entitled to a deduction of up to 20% of their qualified business income from a qualified trade or business plus 20% of the aggregate amount of qualified real estate investment trust (REIT) dividends and qualified publicly traded partnership income. The deduction is subject to multiple limitations such as the type of trade or business, the taxpayer's taxable income, the amount of W-2 wages paid with respect to the qualified trade or business, and the unadjusted basis of qualified property held by the trade or business. For more information, see section 199A and Pub. 535, Business Expenses.

The deduction for qualified business income is reported in box 14, Other Information, code I.

Inclusion of Global Intangible Low-Taxed Income (GILTI). Public Law 115-97, enacted new section 951A, which requires U.S. shareholders of controlled foreign corporations to determine and include their GILTI in taxable income every year. Section 951A is effective for tax years of foreign corporations beginning after December 31, 2017, and to tax years of U.S. shareholder in which or with which such tax years of foreign corporations end. Use Form 8992, U.S. Shareholder

Calculation of Global Intangible Low-Taxed Income (GILTI), to figure the U.S. shareholder's GILTI and attach it to Form 1041. See section 951A for more information, and box 14, Other Information, code Z, for reporting requirements.

Section 965. Section 965 was amended requiring certain taxpayers to include in income a section 965(a) inclusion based on the accumulated post-1986 deferred foreign income of certain foreign corporations due to ownership of deferred foreign income corporations (DFICs) through U.S. shareholder pass-through entities. Section 965 also allows for a corresponding section 965(c) deduction. See box 14, Other Information, code Z, for reporting requirements.

Domestic Production Activities Deduction (DPAD). The DPAD has been repealed for tax years beginning after December 31, 2017, with limited exceptions. See box 14, Other Information, code Z, for details.

Reminders

Employee retention credit. Disaster relief enacted for those impacted by Hurricane Harvey, Irma, or Maria includes a provision for the employee retention credit, a portion of which may be allocated to the beneficiary of an estate or trust. See *Box 13. Credits, Code Z. Other credits*, later, for information about the beneficiary's share of the credit. For more information about disaster relief, see Pub. 976, Disaster Relief.

Beneficiary's identification number. For your protection, Schedule K-1 may show only the last four digits of your identifying number (social security number (SSN), etc.). However, the estate or trust has reported your complete identifying number to the IRS.

Net investment income tax. This tax applies to certain investment income of individuals, estates, and trusts. Use Form 8960, Net Investment Income Tax—Individuals, Estates, and Trusts, and its instructions to figure your net investment income tax.

Backup withholding. If Schedule K-1 shows backup withholding in box 13, code B, attach a copy to your return.

General Instructions

Purpose of Form

Use Schedule K-1 to report a beneficiary's share of the estate's or trust's income, credits, deductions, etc. on your Form 1040, U.S. Individual Income Tax Return. Keep it for your records. Don't file it with your tax return, unless backup withholding was reported in box 13, code B.

Inconsistent Treatment of Items

Generally, you must report items shown on your Schedule K-1 (including attached schedules) the same way that the estate or trust treated the items on its return.

If the treatment of an item on your original or amended return is inconsistent with the estate's or trust's treatment (or if the estate or trust was required to but hasn't filed a return), you must file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), with your original or amended return to identify and explain any inconsistency (or to note that an estate or trust return hasn't been filed).

If you are required to file Form 8082 but fail to do so, you may be subject to the accuracy-related penalty. This penalty is in addition to any tax that results from making your amount or treatment of the item consistent with that shown on the estate's or trust's return. Any deficiency that results from making the amounts consistent may be assessed immediately.

Errors

If you believe the fiduciary has made an error on your Schedule K-1, notify the fiduciary and ask for an amended or a corrected Schedule K-1. Don't change any items on your copy. Be sure that the fiduciary sends a copy of the amended Schedule K-1 to the IRS. If you are unable to reach an agreement with the fiduciary regarding the inconsistency, you must file Form 8082.

Beneficiaries of Generation-Skipping Trusts

If you received Form 706-GS(D-1), Notification of Distribution From a Generation-Skipping Trust, and paid a generation-skipping transfer (GST) tax on Form 706-GS(D), Generation-Skipping Transfer Tax Return for Distributions, you can deduct the GST tax paid on income distributions on Schedule A (Form 1040), line 6. To figure the deduction, see the Instructions for Form 706-GS(D).

Specific Instructions

Part I—Information About the Estate or Trust Item E

If the Item E box is checked, this is the final year of the estate or trust.

Note. If the “Final K-1” box at the top of Schedule K-1 is checked, this is the final return for the beneficiary.

Part III—Beneficiary’s Share of Current Year Income, Deductions, Credits, and Other Items

The amounts shown in boxes 1 through 14 reflect your share of income, loss, deductions, credits, etc., from an estate or trust. For Form 1040 filers, page 2 of Schedule K-1 provides summarized reporting information. The summarized reporting information reflects references to forms in use for calendar year 2018.

Note. If you are not an individual, report the amounts in each box as instructed on your tax return.

Codes. In box 9 and boxes 11 through 14, the fiduciary will identify each item by entering a code in the column to the left of the dollar amount entry space. These codes are identified on page 2 of Schedule K-1.

Attached statements. The fiduciary will enter an asterisk (*) after the code, if any, in the column to the left of the dollar amount entry space for each item for which it has attached a statement providing additional information. For those informational items that cannot be reported as a single dollar amount, the estate or trust will enter an asterisk in the left column and write “STMT” in the dollar amount entry space to indicate the information is provided on an attached statement.

Box 1—Interest

This box reports the beneficiary’s share of the taxable interest income. This amount is reported on line 2b of Form 1040 and Schedule B, Part I, line 1, if applicable.

Box 2a—Ordinary Dividends

This box reports the beneficiary’s share of ordinary dividends. This amount is reported on line 3b of Form 1040 and Schedule B, Part II, line 5, if applicable.

Box 2b—Qualified Dividends

This box reports the beneficiary’s share of qualified dividends. This amount is reported on line 3a of Form 1040.

Boxes 3 and 4a—Net Short-Term and Net Long-Term Capital Gain

Net short-term capital gains are reported on line 5 of Schedule D (Form 1040) and net long-term capital gains are reported on line 12 of Schedule D (Form 1040).

If there is an attachment to this Schedule K-1 reporting a disposition of a passive activity, see the Instructions for Form 8582, Passive Activity Loss Limitations, for information on the treatment of a disposition of an interest in a passive activity.

Boxes 4b and 4c—28% Rate Gain and Unrecaptured Section 1250 Gain

A 28% rate gain is reported on line 4 of the 28% Rate Gain Worksheet—Line 18 in the Schedule D (Form 1040) instructions.

An unrecaptured section 1250 gain is reported on line 11 of the Unrecaptured Section 1250 Gain Worksheet—Line 19 in the Schedule D (Form 1040) instructions.

Box 5—Other Portfolio and Nonbusiness Income

The amount reported in this box is your distributive share of royalties, annuities, and other income that isn’t subject to the passive activity rules. It also includes income in respect of a decedent (IRD), which isn’t included in box 1, 2a, 3, 4a, 6, 7, or 8.

Boxes 6 through 8—Ordinary Business Income, Net Rental Real Estate Income, and Other Rental Income

The fiduciary will provide you with a separate schedule showing your distributive share of income from each trade or business, net rental real estate, or other rental activity.

Any losses reported in boxes 6 through 8 may be subject to the passive loss limitations of section 469, which generally limits deducting passive losses only from passive activity income. The rules for applying these limitations to beneficiaries

haven’t yet been issued. For more details, see Pub. 925, Passive Activity and At-Risk Rules.

Box 9—Directly Apportioned Deductions

The fiduciary must attach a statement showing depreciation, depletion, and amortization directly apportioned to you, if any, for each activity reported in boxes 5 through 8.

Box 10—Estate Tax Deduction (Including Certain Generation-Skipping Transfer Taxes)

If an estate or trust distributes income in respect of a decedent (IRD) to a beneficiary, the beneficiary is entitled to deduct the portion of the estate tax imposed on the decedent’s estate which is attributable to the IRD distributed to the beneficiary. You may claim this amount on line 16 of Schedule A (Form 1040) as a miscellaneous itemized deduction allowable under section 67(e). For an example on how this amount was computed, see Regulations section 1.691(c)-2 and Pub. 559, Survivors, Executors, and Administrators.

Box 11, Code A—Excess Deductions on Termination.

If this is the final return of the estate or trust, and there are excess deductions on termination, you may deduct the beneficiary’s share of the excess deductions on line 16 of Schedule A (Form 1040) as an allowable deduction under IRC section 67(e).

Excess deductions on termination occur only during the last tax year of the trust or decedent’s estate when the total deductions (excluding the charitable deduction and exemption) are greater than the gross income during that tax year. Only the beneficiary of an estate or trust that succeeds to its property is allowed to deduct that entity’s excess deductions on termination. A beneficiary who doesn’t have enough income in that year to absorb the entire deduction can’t carry the balance over to any succeeding year.

Box 11, Codes B and C—Unused Capital Loss Carryover

Upon termination of the trust or decedent’s estate, the beneficiary succeeding to the property is allowed to deduct any unused capital loss carryover under section 1212.

A short-term capital loss carryover, reported as code B, is reported on Schedule D (Form 1040), line 5.

A long-term capital loss carryover, reported as code C, is reported, as appropriate, on Schedule D (Form 1040), line 12; line 5 of the 28% Rate Gain Worksheet for Schedule D, line 18; and line 16 of the Unrecaptured Section 1250 Gain Worksheet for Schedule D, line 19.

Box 11, Codes D and E—NOL Carryover

Upon termination of a trust or decedent's estate, a beneficiary succeeding to its property is allowed to deduct any unused net operating loss (NOL) if the carryover would be allowable to the trust or estate in a later tax year but for the termination. The deduction for regular tax purposes, reported as code D, is reported on Form 1040, Schedule 1, line 21.

A deduction for an Alternative Tax NOL (ATNOL) carryover for Alternative Minimum Tax (AMT) purposes, reported as code E, is reported on Form 6251, line 2f.

Box 12—Alternative Minimum Tax Items

The information reported in box 12, codes A through I is used to prepare your Form 6251. Code A, Adjustment for minimum tax purposes, is the total amount reported on Form 6251, line 2j. Codes B through F represent the portion, if any, of the amount included in code A.

Codes B through F. If you have an amount in box 12 with code B, C, D, E, or F, see the instructions for lines 37, 38, and 39 of Form 6251.

Codes G through I. Include the amount with any of these codes on the applicable line of Form 6251.

Code J. Exclusion items. If you pay alternative minimum tax in 2018, the amount in box 12, code J, will help you figure any minimum tax credit for 2019. See the 2019 Form 8801, Credit for Prior Year Minimum Tax—Individuals, Estates, and Trusts, for more information.

Box 13—Credits and Credit Recapture

Codes A through Q, and code Z, list all the credits that may be allocated to you as a beneficiary.

Generally, you must file the source credit form along with Form 3800, General Business Credit, to claim the general business credits listed on Schedule K-1 (Form 1041), codes C through Q and code

Z. However, if your only source for the credits listed on Form 3800, Part III, is from pass-through entities, you may not be required to complete the source credit form. Instead, you may be able to report the credit directly on Form 3800. See below for the instructions for specific credits.

Code A. Credit for estimated taxes.

The beneficiary treats this amount as a payment of estimated tax. To figure any underpayment and penalty on Form 2210, Underpayment of Estimated Tax by Individuals, Estates, and Trusts, treat the amount entered in box 13, code A, as an estimated tax payment made on January 15, 2019.

Note. Form 1041-T, Allocation of Estimated Tax Payments to Beneficiaries, must be timely filed by the fiduciary for the beneficiary to get the credit for an estimated tax payment.

Code B. Credit for backup withholding.

Include this amount on line 16 of your Form 1040 and attach a copy of Schedule K-1 (Form 1041) to your return.

Code C. Low-income housing credit.

The fiduciary will provide you with a statement showing the amount to report on lines 4 and 11 of Form 8586. If your only source for the credit is a pass-through entity, such as an estate or trust, you can report the amounts from lines 4 and 11 of Form 8586 directly on Form 3800, Part III, lines 1d and 4d, respectively.

Code D. Rehabilitation credit and energy credit.

The fiduciary must give you a statement that shows the information you will need and where to enter it on Form 3468, Investment Credit, so that you can figure the amount of any rehabilitation credit and energy credit that you may claim.

Code E. Other qualifying investment credit.

This code is used to report the qualified investment for figuring the qualifying advanced coal project credit, the qualifying gasification project credit, and the qualifying advanced energy project credit. The fiduciary must provide you with a statement that shows the information you will need and where to report it on Form 3468 so that you can figure the amount of the previously listed credits that you may claim.

Code H. Biofuel producer credit.

See the Instructions for Form 6478 for more information. If your only source for the credit is a pass-through entity, such as an estate or trust, you can report the amount on Form 3800, Part III, line 4c.

Code J. Renewable electricity, refined coal, and Indian coal production credit. The fiduciary must provide you with a statement showing the amount of credit to

report on Form 8835, line 19 (including the allocation of the credit for production during the 4-year period beginning on the date the facility was placed in service and for production after that period). If your only source for the credit is a pass-through entity, you can report the amount from line 19 directly on Form 3800, Part III, lines 1f and 4e, as applicable. Otherwise, complete Form 8835 as directed.

Code O. Biodiesel and renewable diesel fuels credit.

If this credit includes the small agri-biodiesel producer credit, the fiduciary will provide additional information on an attached statement. If no statement is attached, report this amount on line 9 of Form 8864. If a statement is attached, see the Instructions for Form 8864, line 11.

Code R. Recapture of credits.

If you are required to recapture any credits, the fiduciary will provide a statement with the information you need to figure your credit recapture.

Code Z. Other credits. This code is used to report the beneficiary's share of the employee retention credit. For more information on the employee retention credit, see the Instructions for Form 5884-A. If your only source for the employee retention credit is a pass-through entity, such as an estate or trust, you can report the amount directly on Form 3800, Part III, line 1aa.

Box 14—Other Information

Code F. Gross farming and fishing income.

The amount of farming and fishing income is included in box 6. This income is separately stated to help determine if you are subject to a penalty for underpayment of estimated tax. Report the amount of gross farming and fishing income on Schedule E (Form 1040), Supplemental Income and Loss, line 42.

Code H. Net investment income tax.

This amount is the beneficiary's adjustment for section 1411 net investment income or deductions. Enter this amount on line 7 of Form 8960, as applicable. See the Instructions for Form 8960.

Code I. Qualified business income, section 199A.

If this code is used, the fiduciary will provide you a statement with the qualified business income, W-2 wages from qualified trade or business, Unadjusted basis on acquisition of qualified property, Section 199A REIT dividends, and the Qualified publicly traded partnership (PTP) income, as applicable.

Qualified business income. The fiduciary will provide you with a statement with the information that you must use to figure your deduction for qualified business income. Use Worksheet X-A, to

figure your deduction. For details, see Pub. 535, Business Expenses.

W-2 wages from qualified trade or business. Report the portion of Form W-2 wages reported to you by the fiduciary on Worksheet X-A, on the appropriate line.

Unadjusted basis on acquisition of qualified property. Report the portion of unadjusted basis of qualified property reported to you by the fiduciary on Worksheet X-A, on the appropriate line.

Section 199A REIT dividends. Report the portion of qualified REIT dividends reported to you by the fiduciary on Worksheet X-A, Part V, line 44.

Qualified publicly traded partnership (PTP) income. Report the portion of qualified PTP income reported to you by the fiduciary on Worksheet X-A, Part V, line 44.

Code Z. Other information. If this code is used, the fiduciary will provide you with any additional information you may need to file your return that isn't shown elsewhere on this Schedule K-1.

Your distributive share of the net amount of section 965(a) inclusion less the corresponding section 965(c) deduction should be reported in box 14, code Z. In addition, the fiduciary will provide a statement detailing your distributive share of the section 965(a) inclusion, the section 965(c) deduction, and any section 960 deemed paid foreign tax credits related to your distributive share of the section 965(a) inclusion (relevant to corporate beneficiaries and individual beneficiaries electing to be taxed as a corporation on gross income under section 951(a) including such gross income by reason of section 965).

If you receive a statement regarding the splitting of foreign tax credits from the income to which it relates, section 909 may prevent you from deducting the foreign tax credit until the related foreign income is taken into account. See Form 1116, Foreign Tax Credit, and Pub. 514, Foreign Tax Credit for Individuals, for more information.

Section 951A requires U.S. controlled for shareholders of foreign corporations to report their ratable share of GILTI in

taxable income. If applicable, provide the information necessary to figure the GILTI inclusion to each beneficiary.

Public Law 115-97 (as amended by the Consolidated Appropriations Act, 2018, Public Law 115-141, sec. 101(c), 131 Stat. 350, 1151, 1156), repealed Domestic Production Activity Deduction (DPAD) for tax years beginning after December 31, 2017. However, if your tax year begins after December 31, 2017, and you are a recipient of the DPAD from a flow through entity (Partnership, S Corporation, Estate, Trust or Cooperative) with a tax year beginning before January 1, 2018, the DPAD can be taken in limited circumstances. See Form 8903 and its instructions for details. If any of the income is oil-related qualified production activities income (QPAI), the fiduciary must give you a statement that shows the amount. Enter the oil-related amount on Form 8903, Domestic Production Activities Deduction, line 7, col. (a). Enter the total of amount of QPAI from estates, trusts, and certain partnerships and S corporations on Form 8903, line 7, col.(b).