



For taxable year beginning in

2015

Ohio IT 1041
Fiduciary Income Tax
Return Instructions

Rev. 10/15

Ohio

Department of
Taxation

tax.ohio.gov

2015 Ohio Form IT 1041 General Instructions

Note: Please put tax return in proper numerical order and place all attachments after the return.

All Ohio tax forms and schedules referred to in this instruction booklet may be obtained from our Web site at tax.ohio.gov.

Purpose of Form

The fiduciary of a domestic decedent's estate, trust or bankruptcy estate uses Ohio form IT 1041 to report:

- The income, deductions, gains, losses, etc. of the estate or trust;
- The income that is either accumulated or held for future distribution or distributed currently to the beneficiaries;
- Any income tax liability of the estate or trust; AND
- Employment taxes on wages paid to household employees.

Income Taxed to the Estate

The income tax imposed on the fiduciary is based upon the estate's Ohio taxable income. The tax is reduced by the Schedule B credits, the Schedule C resident credit, the Schedule D nonresident credit and the allowable Schedule E business credits.

If the executor and trustee make the Internal Revenue Code section 645 election, then for Ohio income tax purposes (i) the estate must include the income of the trust and (ii) the trust itself is not subject to Ohio's income tax for the taxable years to which the election applies. As such, when the estate files its Ohio fiduciary income tax return, the estate cannot "back out" from the estate's federal taxable income the trust's portion of income and deductions.

Income Taxed to the Trust

The income tax imposed on the fiduciary shall apply to the trust's modified Ohio taxable income. The tax is reduced by the Schedule I trust credit and the allowable Schedule E business credits.

Most Common Situations for Trusts

- A nonresident trust investing only in savings accounts, certificates of deposit, publicly traded stocks, bonds, commercial paper and/or mutual funds **will not owe** any Ohio income tax if the nonresident trust has no significant ownership interest in these investments. The trust need not file Ohio form IT 1041.
- A resident trust investing only in savings accounts, certificates of deposit, stocks, bonds, commercial paper and/or mutual funds **will owe** Ohio income tax if the trust had federal taxable income after distributions. The tax on each resident trust will generally be based upon the trust's federal taxable income, plus or minus the adjustments set forth on Ohio form IT 1041.

Who Must File

All estates not excluded below, residing in Ohio or earning or receiving income in Ohio, must file an Ohio Fiduciary Income Tax Return (Ohio form IT 1041) for the taxable year.

Amended Substitute House Bill 66, 126th General Assembly, made permanent Ohio's income tax on **all trusts not excluded below and that meet any one or more of the** following requirements:

- The trust resides in Ohio; OR

- The trust earns or receives Ohio source income (income apportioned to Ohio or allocated to Ohio); OR
- The trust earns or receives lottery winnings, prizes or awards paid by the Ohio Lottery Commission; OR
- The trust otherwise has nexus with or in Ohio under the Constitution of the United States.

Qualified Pre-Income Tax Trusts

Trusts that are described in Ohio Revised Code (R.C.) section 5747.01(FF) and that timely and properly made the election described in that division are not subject to Ohio income tax. Such trusts should file pages 1 and 2 of Ohio form IT 1041 and complete those pages as follows:

- Enter on line 1 the trust's federal taxable income.
- Enter on line 2 as a negative number the amount shown on line 1.
- To the left of the amount entered on line 2 print "5747.01(FF)."
- Enter -0- on lines 3, 13 and 17.
- Sign and date the return.

Important: The trust must attach to the return a copy of the Ohio Department of Taxation-issued letter acknowledging that the trust is exempt from Ohio income tax.

Exclusions

The following types of trusts are excluded from filing Ohio form IT 1041 as per R.C. section 5747.02(E):

- Grantor trusts
- Charitable remainder trusts
- Retirement trusts
- Pre-need funeral trusts
- Qualified funeral trusts
- Endowment and perpetual care trusts
- Qualified settlement trusts and funds
- Retirement trust funds.

Any other trust or estate is not required to file a 2015 Ohio form IT 1041 with the state of Ohio if **all** of the following apply:

- The fiduciary's year 2015 federal form 1041 shows no taxable income or has a negative taxable income (e.g., simple trusts and most estate tax returns); AND
- The estate or trust did not earn or receive any business income apportioned to Ohio; AND
- The estate or trust did not earn or receive any nonbusiness income allocated to Ohio; AND
- There are no Ohio adjustments that would result in Ohio taxable income; AND
- If the taxpayer is a trust, no portion of the trust is an electing small business trust.

Tax Rates

The same income brackets and tax rates that apply to the Ohio taxable income of individuals apply to the Ohio taxable income of estates and to the modified Ohio taxable income of trusts. See the tax table on page 12.

Return Due Date

For calendar year estates and trusts, file Ohio form IT 1041 and Schedule(s) K-1 on or before April 18, 2016. For fiscal year estates and trusts, file Ohio form IT 1041 by the 15th day of the fourth month following the close of the tax year. For example, an estate that has a tax year that ends on June 30, 2016 must file Ohio form IT 1041 by Oct. 17, 2016. If the due date falls on a Saturday, Sunday or legal holiday, file on the next business day.

Extensions to File

If the trust or estate qualifies for and receives a federal extension of time to file, then the trust or estate automatically has the same extension of time to file the Ohio return. However, the trust or estate must include a copy of the federal extension with the Ohio return. If the fiduciary electronically obtained the federal extension, then, when filing the Ohio form IT 1041, the fiduciary must provide the federal confirmation number for the extension.

Caution: An extension of time to file does not give the estate or trust an extension of time to pay. Make Ohio extension payments on the 2015 Ohio form IT 1041P.

Filing Options

Taxpayers who prepare a return with commercial software or the help of a paid tax preparer may be able to file their federal and state returns electronically through the federal/state e-file (www.irs.gov/Filing) program overseen by the IRS. To help taxpayers make sure their software is compatible with the e-file program, the Ohio Department of Taxation maintains a list of approved software vendors (www.tax.ohio.gov/ohio_business/business/electronic_filing/ApprovedSoftwareDev2015.aspx).

If a taxpayer opts to not file electronically, a paper Ohio form IT 1041 is available on our Web site at tax.ohio.gov.

Payment Options

If you are electronically filing your Ohio Fiduciary Income Tax Return using an approved software program, follow the payment instruction prompts for making payments by electronic check.

If you are paper filing your Ohio Fiduciary Income Tax Return or do not wish to remit through the software program mentioned above, payments may be remitted by electronic funds transfer (EFT) through the Ohio Treasurer of State or you may send in a personal check or money order with the IT 1041P payment voucher. For questions regarding the EFT payment program, please contact the Ohio Treasurer of State's office at 30 E. Broad St., 9th Floor, Columbus, OH 43215 or call toll-free at 1-877-338-6446.

Note: To remit by EFT, the trust or estate must file by using their federal employer identification number (FEIN).

Interest on Underpayments and Overpayments

If the trust or estate fails to pay the tax by the due date, interest accrues on the unpaid tax. Interest on tax due is charged in addition to any penalties that may be incurred for late filing or failure to file timely. The period of underpayment runs from the date the tax was required to be paid to the date on which such payment is made.

Interest is allowed and paid upon any overpayment in excess of one dollar in respect of the tax imposed under R.C. 5747.02 from the date of the overpayment until the date of the refund of the overpayment, except that if any overpayment is refunded within 90 days after the due date of the annual return or within 90 days after the return was filed, whichever is later, no interest shall be allowed on such overpayment.

During calendar year 2015 and calendar year 2016, interest accrues on underpayments and overpayments at the rate of 3% per annum, respectively.

Penalties

If the trust or estate **fails to file** the Ohio fiduciary income tax return by the due date (or extended federal due date), the law provides for a **failure to file penalty**, which is the greater of \$50 per month up to a maximum of \$500, or 5% per month up to a maximum of 50% of the tax.

If the trust or estate **fails to pay** the full amount of tax by the 15th day of the fourth month following the last day of the taxable year, the law provides for a **failure-to-pay penalty**, which is up to a maximum of double the interest charged. The penalty will not apply if (i) the trust or estate obtained a federal extension of time to file (ii) the trust or estate's total payments made by the due date without extension equal or exceed 90% of the total Ohio tax due and (iii) by the extended due date the trust or estate pays the balance of the tax due. To make an extension payment, please use the 2015 Ohio form IT 1041P.

Interest Penalty on Underpayment of Estimated Tax

The trust or estate will owe an interest penalty if (i) the Ohio tax less withholding (e.g. Ohio lottery withholdings) and credits is greater than \$500 and (ii) withholdings and refundable credits are less than both the following:

- 90% of your 2015 Ohio tax; AND
- 100% of your 2014 Ohio tax.

If the trust or estate owes an interest penalty, the fiduciary must complete Ohio form IT/SD 2210 and enter the interest penalty on line 12 of Ohio form IT 1041.

Preparer's Signature

The Ohio Department of Taxation follows IRS Notice 2004-54, which provides for alternative preparer signature procedures for federal income tax paper returns that paid practitioners prepare on behalf of their clients. Paid preparers can follow those same procedures with respect to the following Ohio paper returns prepared on behalf of their clients: Ohio school district and individual income tax returns, Ohio withholding tax returns (employer and pass-through entity) and Ohio corporation franchise tax reports. Statutory authority: R.C. 5703.262(B) and 5747.08(F).

Exception: The paid preparer should print (rather than write) his/her name on the form if the taxpayer checks "Yes" to the question, "Do you authorize your preparer to contact us regarding this return?"

Amended Returns

You may make any change or correction to your already filed return by filing another Fiduciary Income Tax Return, Ohio form IT 1041, with corrected figures and checking the "Amended Return" box. To speed up the processing of your amended return:

- Attach a copy of your original return; AND

- Attach a copy of any cancelled checks used as payment on the originally filed return.

If the fiduciary amends the federal fiduciary income tax return or if the fiduciary is audited by the IRS, the fiduciary must file an amended Ohio form IT 1041 within 60 days of the final determination of the federal change.

Caution: The IRS tells us when it makes changes to tax returns. To avoid penalties, be sure to file the amended fiduciary return within 60 days of the final determination of the federal change.

Assessments

The tax commissioner may issue an assessment against the estate or trust for any deficiency within four years after the later of the final date the return subject to assessment was required to be filed or the date the return was filed. However, both the assessment statute of limitations and the refund statute of limitations may be extended for an agreed-upon period if both the estate or trust and the tax commissioner consent in writing to the extension.

An amended Ohio form IT 1041, which the estate or trust files as a result of an adjustment to the federal fiduciary income tax return, form 1041, is deemed a report subject to assessment. However, the amended return does not reopen those facts, figures, computations or attachments from a previously filed return no longer subject to assessment to the extent that those facts, figures and computations are not affected, either directly or indirectly, by the IRS adjustment to the entity's federal income tax return.

If the taxpayer disagrees with the assessment, the taxpayer may object to the assessment by filing Ohio form PR, Petition for Reassessment. Form PR applies only to assessments (not to proposed corrections) issued by the Ohio Department of Taxation. If a petition for reassessment has been properly filed, the tax commissioner shall proceed in accordance with R.C. 5703.60.

Estimated Tax Payments for Next Year

The estate or trust must make estimated tax payments on the 2016 Ohio form IT 1041ES for the entity's taxable year beginning in 2016 if the 2016 Ohio fiduciary annual income tax after nonrefundable credits is more than \$500. An interest penalty may apply to estimated payments not timely made.

Due Dates for Estimated Tax Payments

These estimated payments are due on April 15, June 15 and Sept. 15 of the calendar year and Jan. 15 immediately following that calendar year. If the 15th day falls on a weekend or holiday, then the due date is the first business day following the 15th.

Late payments of estimated tax are subject to interest penalties (see Ohio form IT/SD 2210). Ohio form IT 1041ES must accompany each estimated payment.

Specific Instructions

On page 1 of the return, you **must** designate whether the entity is an estate or a trust.

An **estate** can be a bankruptcy estate, a decedent's estate or both.

The trust must be designated as:

- Simple or complex
- Resident or nonresident

- And may also be designated as irrevocable and/or testamentary

Definitions

"Resident" Trust

Pursuant to R.C. section 5747.01(l)(3), "resident" is defined for purposes of Ohio's income tax on trusts as a trust that, in whole or part, resides in this state. If only part of a trust resides in this state, the trust is a resident only with respect to that part.

Testamentary Trust

A trust created at the time of his or her death under a will (testamentary). A testamentary trust resides in Ohio if the decedent at the time of death was domiciled in Ohio for Ohio estate tax purposes (R.C. 5731).

Inter Vivos Irrevocable Trust

An inter vivos irrevocable trust resides in Ohio if (i) at least one "qualifying beneficiary" [R.C. 5747.01(l)(3)(c)] is domiciled in Ohio for all or a portion of the trust's taxable year **and** (ii) at any time the trust received assets from one or more of the following:

- An individual who was domiciled in Ohio for income tax purposes at the time he/she transferred assets to the trust; OR
- An individual who was domiciled in Ohio for income tax purposes at the time the trust document became irrevocable – even if the individual was not domiciled in Ohio at the time he/she transferred the assets to the trust; OR
- An estate of an individual who at the time of death was domiciled in Ohio for estate tax purposes; OR
- An insurance company, pension plan or court award on account of the death of an individual, and at the time of the individual's death either (i) the individual was domiciled in Ohio for estate tax purposes or (ii) the owner of the insurance policy was domiciled in Ohio for income tax purposes.

Note: The above listing is not all-inclusive. For additional information, see divisions (l)(3)(a), (l)(3)(e) and (l)(3)(f) of R.C. 5747.01.

Line Instructions

Line 1 – Federal Taxable Income

Enter the amount from IRS form 1041, line 22. This amount is net of the income distribution deduction and should include only the income and gain retained by the estate or trust.

Line 8 – Tax on Ohio Taxable Income (Estates) or Modified Ohio Taxable Income (Trusts)

Use the tax table found on page 12 to compute the tax based upon the amount on line 3 for estates or line 7 for trusts. This is the same tax rate used for the individual income tax for the same year.

Line 10 – Schedules C, D, E and I Credits

Both estates and trusts may be entitled to claim one or more nonrefundable business credits listed in Schedule E of Ohio form IT 1040, with one exception: Trusts cannot claim the credit for contributions to candidates for Ohio statewide office or for the General Assembly. To claim the nonrefundable business credit, use Schedule E, which is not contained in this instruction booklet.

Multiply the nonrefundable credits from Schedule E by the estate's or trust's retained percentage of income to calculate the amount of nonrefundable credits available to the estate or trust.

Example: A trust retains 75% of the income from the business and distributes 25% of the income to beneficiaries each year. The trust would be able to claim on Ohio form IT 1041 75% of the Schedule E nonrefundable credits. The beneficiaries would be able to claim cumulatively on Ohio form IT 1040 the remaining 25% of the Schedule E nonrefundable credits.

Line 12 – Interest Penalty on Underpayment of Estimated Tax
Enter any interest penalty on underpayment of estimated tax as explained in the general instructions.

Line 14 – Net Payments
Enter the amount from line 77 of Ohio form IT 1041, Net Payment Worksheet.

Line 15 – Refundable Business Credits
Business Jobs Credit and Ohio Historic Preservation Credit:
If the Ohio Tax Credit Authority of the Ohio Department of Development granted the trust or estate either or both of these credits, then enter on this line the amount of credit(s) applicable to the trust or estate here.

Example: A trust has a 50% interest in a business that is entitled to a “new jobs credit” of \$5,000. The trust may claim \$2,500 on line 15.

Refundable Pass-Through Entity Credit: If the trust or estate was a direct or indirect investor in a pass-through entity that filed and paid Ohio tax on Ohio form IT 4708 (Composite Income Tax Return for Certain Investors in a Pass-Through Entity) or on Ohio form IT 1140 (Pass-Through Entity and Trust Withholding Tax Return), the fiduciary should enter the amount of tax paid on behalf of the trust or estate. Trusts and estates claiming this credit **must attach federal K-1s** reflecting the amount of Ohio tax that the pass-through entity paid on behalf of the trust or estate.

The K-1 should show the amount of the distributive share of income; the amount of Ohio tax paid; the legal name of the pass-through entity; and the entity’s federal employer identification number. Enter on line 15 the total of the refundable credit. Generally, estates and trusts cannot “pass through” to beneficiaries any refundable credit.

Motion Picture Production Credit
A motion picture company whose motion picture has been certified as a tax credit-eligible production may apply to the director of the Ohio Development Services Agency on or after July 1, 2009 for a refundable credit against the income tax. The credit equals a percentage of the motion picture company’s eligible production expenditures with respect to the tax credit-eligible production. See R.C. 122.85 and 5747.66.

Financial Institutions Tax (FIT) Credit
If this pass-through entity is responsible for filing and paying the Ohio financial institutions tax, the pass-through entity is entitled to a refundable credit equal to the proportionate share of the lesser of either the amount of tax due or the tax paid pursuant to R.C. 5726.02 by the pass-through entity for the entity’s taxable year ending in the taxpayer’s taxable year. See R.C. 5747.65.

Refundable Credit for Losses on Loans Made to the Ohio Venture Capital (OVC) Program (R.C. 150.01 to 150.10, 5747.80 and 5747.98)
The purpose of the credit is to provide OVC lenders and investors some security against losses on their loans to the program.

Substitute Senate Bill 321, 126th Ohio General Assembly, made the credit for losses on loans made to the OVC program refundable.

Under prior law the taxpayer had a choice of taking this credit as a refundable credit or as a nonrefundable credit.

Line 18 – Credit Carryover to 2016
Enter the portion of your overpayment from line 17 that you want to credit toward next year’s estimated tax liability.

Line 19 – Refund
Subtract line 18 from line 17. This is the amount you want refunded.

Line 20 – Net Amount Due
If line 16 is less than line 13, then subtract the amount on line 16 from the amount on line 13 and enter the result on this line. This is the net amount due.

Line 21 – Interest and Penalty on Late-Paid and/or Late-Filed Return
Enter any interest and penalty as explained in the general instructions.

Line 22 – Total Amount Due
Remit using any of the payment options as explained in the general instructions.

Schedule A – Adjustments to Federal Taxable Income Net of Related Expenses

Additions

The following discussion applies to both trusts and estates except where noted.

Line 23 – Federal and/or Non-Ohio State or Local Government Interest and Dividends
Enter the fiduciary’s share of interest and dividends received from non-Ohio state governments and their local government net of related, ordinary, necessary and reasonable expenses to the extent the interest and dividend are not included in federal taxable income and to the extent that such amounts have not been distributed to beneficiaries.

Also, enter interest and dividend income from obligations issued by the United States government or its possessions/territories that are exempt from Ohio tax by federal law. Examples include: U.S. savings bonds (Series E, EE, H or I), Treasury notes, bills and bonds, and Sallie Mae.

Line 24 – Pass-Through Entity and Financial Institutions Taxes Paid and Related Member Add-Back
Add the fiduciary’s share of any Ohio form IT 1140 or financial institutions taxes (which should be shown on your federal K-1s) to the extent that those taxes were deducted in arriving at federal taxable income.

Furthermore, in determining Ohio taxable income, each fiduciary having an interest in a qualifying pass-through entity must add to the fiduciary’s income the proportionate share of expenses and losses that the pass-through entity incurred with respect to the pass-through entity’s 40% or more related members, including the investors’ family members. This provision does not apply to the pass-through entity’s sales of inventory to such related members to the extent that those losses are calculated in accordance with I.R.C. 482. See R.C. 5733.40(A).

Line 25 – ESBT Income
Add the distributive share of income from an S corporation if:

- such income is not included in the trust’s federal taxable income; AND

- such income is not required to be included in any individual's federal adjusted gross income (Schedule G may apply).

Line 26 – Losses From the Sale or Disposition of Ohio Public Obligations

Enter the fiduciary's share of any loss resulting from the sale or disposition of Ohio public obligations to the extent that such losses are deducted in calculating federal taxable income. See R.C. 5747.01(S)(6) and 5709.76.

Line 27 – Recovery of Amount Previously Deducted or Excluded from Federal Taxable Income

Enter the fiduciary's share of any recovery amounts previously deducted on a prior year's Ohio trust or estate income tax return to the extent that the reimbursement is not included in federal taxable income for 2015.

Line 28 – Depreciation Adjustment

R.C. 5701.11, 5747.01(S)(14) and 5747.01(A)(20) state that, in determining Ohio taxable income, a taxpayer that for federal income tax purposes claims I.R.C. 168(k) bonus depreciation must add back 2/3, 5/6 or 6/6 of that bonus depreciation that the taxpayer claimed for the taxable year based upon the I.R.C.

These "add-back and subsequent deduction" laws also cover (i) depreciable assets acquired by the taxpayer's disregarded entities and (ii) depreciable assets that are owned by pass-through entities in which the taxpayer directly or indirectly owns at least 5% (see R.C. 5747.01(A)(20)(a)).

In addition, if the taxpayer is an equity investor in a pass-through entity that has claimed I.R.C. 168(k) bonus depreciation, and if, because of the federal passive activity loss limitation rules or because of the federal at-risk limitation rules, the taxpayer is unable to fully deduct a loss passing through from another pass-through entity to the taxpayer, then to the extent that the taxpayer does not recognize the loss, the taxpayer can defer making the "2/3, 5/6 or 6/6 add-back" until the taxable year or years for which the taxpayer deducts the pass-through entity loss and receives a federal tax benefit from the bonus depreciation amount claimed by the other pass-through entity. Of course, the taxpayer cannot begin claiming the related subsequent years deduction until the first taxable year immediately following the taxable year for which the taxpayer makes the 2/3, 5/6 or 6/6 add-back. **Note:** Make the add-back only to the extent that the fiduciary did not distribute the related income to the beneficiaries.

For detailed information and examples regarding this adjustment, see R.C. 5747.01(A)(20) as amended by the 129th General Assembly in HB 365 and information releases 2002-02 and 2002-01 regarding Ohio bonus depreciation adjustments available on our Web site at tax.ohio.gov. These releases were originally posted on July 31, 2002 and Nov. 7, 2002.

Line 29 – Personal Exemption (Estates Only), Lump Sum Distribution Add-Back and Miscellaneous Federal Tax Adjustments (Estates and Trusts)

Enter the amount of the personal exemption allowed to the estate pursuant to I.R.C. 642(b).

Lump Sum Distribution Add-Back

Enter any lump sum distribution amount that you have reported on IRS form 4872.

Miscellaneous Federal Income Tax Adjustments

Because of a recent amendment to R.C. section 5701.11, there

are **no** miscellaneous federal tax adjustments on this return. See House Bill 19, 131st General Assembly. However, you must make all other required adjustments for this line.

Line 30 – Expenses Claimed on Ohio Estate Return (Estates Only)

Enter on this line expenses deducted on both the federal fiduciary income tax return (IRS form 1041) and the Ohio estate tax return (Ohio form ET 2). However, enter -0- if this return is the estate's final return.

Deductions

The following discussion applies to both trusts and estates except where noted. Deduct the income items described below only to the extent that these amounts have not already been deducted or excluded from federal taxable income.

Line 32 – Federal Interest and Dividends

Enter interest and dividend income net of related ordinary, necessary and reasonable expenses, included in federal taxable income, from obligations of the United States government or its possessions/territories that are exempt from Ohio tax by law. Examples of interest-bearing obligations whose interest is exempt from Ohio income tax are Series "E" or Series "H" U.S. Savings Bonds, U.S. Treasury notes and bills, and Sallie Maes.

Line 33 – State and Municipal Income Tax Refunds

Enter the amount of state and/or municipal income tax refunds included in federal taxable income for the taxable year of this return if the refunds relate to taxes previously claimed as itemized deductions on the decedent's federal income tax return.

Line 34 – Losses From an ESBT

Deduct the distributive share of loss from an S corporation if:

- such loss has not been directly or indirectly deducted in computing the trust estate's federal taxable income; AND
- such loss is not deducted by any other person.

Line 35 – Wage and Salary Expense Not Previously Deducted

Deduct the amount of wage and salary expense not otherwise deducted for federal income tax purposes because of the federal targeted jobs credit or work opportunity credits.

Line 36 – Interest/Gains from Ohio Public Obligations

Deduct interest income from Ohio public obligations and Ohio purchase obligations if (i) the interest income was included in federal taxable income and (ii) the fiduciary did not distribute this income to any beneficiary. See R.C. 5747.01(S)(6) and 5709.76.

You may also deduct any gains resulting from the sale or disposition of Ohio public obligations to the extent (i) the income was included in federal taxable income and (ii) the fiduciary did not distribute this income to any beneficiary. See R.C. 5747.01(S)(7) and 5709.76.

Line 37 – Refund or Reimbursements of a Prior Year Deduction and Miscellaneous Federal Income Tax Adjustments

Deduct refunds or reimbursements received for expenses deducted as an itemized deduction on a prior year federal income tax return if the fiduciary had to add back the refunds or reimbursements on the federal 1041 return. Do not include any amount shown on line 33.

Miscellaneous Federal Income Tax Adjustments

Because of a recent amendment to R.C. section 5701.11, there

are **no** miscellaneous federal tax adjustments on this return. See House Bill 19, 131st General Assembly. However, you must make all other required adjustments for this line.

Line 38 – Farm Income (Trusts Only)

Deduct any amount that a trust was required to report as farm income on its federal tax return, but only if the assets of the trust directly or indirectly include at least 10 acres of land satisfying the definition of “land devoted exclusively to agricultural use” under R.C. 5713.30 regardless of whether the land is valued for the purposes as such under R.C. 5713.30-5713.38.

Line 39 – Bonus Depreciation

Enter on this line 1/2, 1/5 or 1/6 of the depreciation expense added back on each of the previous years’ returns (see instructions for line 28). **Important:** S corporation shareholders cannot claim this deduction with respect to depreciable property for which the add-back occurred while the corporation was a C corporation. See R.C. 5733.40(A)(5), 5747.01(A)(21)(a) and 5747.01 (S)(14).

Line 40 – Repayment of Income Reported in a Prior Year

Enter on this line any amount that was received and included in federal taxable income in a prior year that was paid back in 2015 if (i) the repayment has not otherwise reduced your federal taxable income for 2015 or for any other taxable year and (ii) in the year the income was received the income did not qualify for either the resident or nonresident credit.

Line 42 – Net Schedule A Adjustments

If line 31 is greater than line 41, subtract line 41 from line 31 and enter the amount on line 42. Also, copy this amount onto line 2 on the front of this return and add this amount to your federal taxable income.

If line 31 is less than line 41, subtract line 31 from line 41 and enter the amount on line 42. Shade the box on line 42 to show that it is a negative number. Also, copy this amount onto line 2 on the front of this return. Shade the box on line 2 to show that it is a negative number. Subtract this amount from your federal taxable income.

Note: ESBT income and loss on lines 25 and 34 along with any depreciation adjustment addback or deduction on lines 28 and 29 attributed to the ESBT should be included in Schedule G and apportioned accordingly.

Schedule B – Estate Credits

The Schedule B credits correspond to applicable credits found on the Ohio individual income tax return (Ohio form IT 1040).

Credit sharing: When calculating credits, the fiduciary cannot include any amounts that are allocable to a beneficiary. Generally these credits are apportioned on the basis of the income allocable to the estate or trust.

Line 43 – Retirement Income Credit

An estate is entitled to a credit for retirement benefits received for the benefit of the decedent’s surviving spouse but not distributed. The amount of the credit is as follows:

\$500 or less	\$ 0
More than \$500 but not more than \$1,500	\$ 25
More than \$1,500 but not more than \$3,000	\$ 50
More than \$3,000 but not more than \$5,000	\$ 80
More than \$5,000 but not more than \$8,000	\$130
More than \$8,000	\$200

Line 44 – Senior Citizen’s Credit

An estate may claim this credit if the decedent was 65 years or older as of the date of death (limit \$50 per return).

Line 45 – Child and Dependent Care Credit

An estate may claim this credit if the decedent qualifies for the federal child and dependent care credit. See R.C. 5747.054.

Line 46 – Ohio Political Contributions Credit

An estate may claim this credit for contributions made to the campaign committee of a statewide office.

Schedule C – Estate Ohio Resident Credit

Line 48 – Portion Taxed by Another State

Resident estates should enter the portion of Ohio taxable income (line 3) that was subjected to tax in another state or in the District of Columbia, plus or minus any related adjustments in Schedule A. **Limitation:** Do not include income for which the estate has directly or indirectly deducted, in computing federal taxable income, any state income tax paid on that income.

Line 50

Divide the amount on line 48 by the amount on line 49 and write the percentage in the box provided. Multiply the percentage by the amount of tax on line 8 reduced by any amount shown on line 9, and enter the result on line 50.

Line 51 – Taxes Paid to Other States

Enter the amount of taxes, less all related, nonrefundable credits, other than withholding, estimated payments and carryforwards from previous years, paid to other states or the District of Columbia. **Limitation:** Do not include income for which the estate has directly or indirectly deducted, in computing federal taxable income, any state income tax paid on that income.

Schedule D – Estate Nonresident Credit

Line 53 – Portion Not Earned in Ohio

Nonresident estates should enter the portion of Ohio taxable income on line 3 that is not apportioned or allocated to Ohio pursuant to R.C. 5747.20-5747.231. Use Ohio form IT 2023 and attach to Ohio form IT 1041.

Line 55 – Nonresident Credit

Divide the amount on line 53 by the amount on line 54. Multiply the percentage by the amount of tax on line 8 reduced by the amount shown on line 9. This amount is the estate’s nonresident credit.

Schedule E – Nonrefundable Business Credits

To claim the nonrefundable business credit, use Schedule E, which is not contained in this booklet. You may obtain Schedule E from our Web site at tax.ohio.gov.

Schedule F – Allocated Qualifying Trust Amounts for Trusts Recognizing Gains or Losses from the Disposition of Closely Held Investments

The qualifying trust amount means capital gains and losses from the sale, exchange or other disposition of equity or ownership interest in, or debt obligations of, a closely held qualifying investee to the extent included in the trust’s Ohio taxable income, but only (i) if the location of the physical assets of the investee is available to the trust and (ii) the investment in the investee

is (or was) a closely held investment. See R.C. 5747.01(BB)(2) and 5747.011.

If the location of the qualifying investee’s assets is not available to the trust, then there is no qualifying trust amount. Generally, the location of the physical assets of a closely held corporation (the qualifying investee) is available to the trust. The portion of the trust’s Ohio taxable income represented by the qualifying trust amount will be allocated to Ohio by multiplying the capital gains and losses by the Ohio percentage as described below.

The Ohio percentage is a fraction whose numerator is the net book value of the physical qualifying investee’s assets in Ohio. The denominator of the Ohio percentage is the net book value of the qualifying investee’s physical assets everywhere. This method of allocating gains and losses to Ohio is similar to the method used for corporation franchise tax purposes with respect to allocating gains and losses from the sale or other disposition of intangible property that may produce dividend income.

Special Notes:

(1) If the qualifying investee is a member of a qualifying controlled group, as defined in R.C. 5733.04(M), then special rules apply for purposes of calculating the Ohio ratio. See R.C. 5747.01(BB)(5).

(2) A gain or loss will be a “qualifying trust amount” only if the investment in the qualifying investee constitutes a closely held investment. Most gains and losses will **not** be qualifying trusts amounts. See R.C. 5747.01(BB)(2) and 5747.011.

(3) If qualifying trust amount capital gains/losses were recognized on account of the sale, exchange or other disposition of more than one investment, then the fiduciary must make a separate calculation for each gain/loss.

Line 56 – Trust’s Portion of Capital Gains/Losses Recognized

Enter the trust’s portion of capital gains/losses from the sales, exchange or other disposition of equity or ownership interest in, or debt obligations of, a closely held qualifying investee to the extent included in Ohio taxable income (line 3) if the location of the physical assets of a closely held qualifying investee is available. If the investee is not closely held or if the location of the physical assets of the closely held investor is not available, then enter -0-. See R.C. 5747.01(BB)(5).

Line 57 – Ohio Percentage of Closely Held Investee’s Physical Assets

Divide the book value of the physical assets of the closely held qualifying investee in Ohio by the book value of the physical assets of the closely held investee located everywhere and enter the percentage derived on line 57.

Schedule G – Apportioned Income for Trusts

Line 59 – Business Income and Qualifying Investment Income

Enter the trust’s portion of Ohio taxable income (line 3) not included on line 56 to the extent such income is either of the following:

- Business income/loss (see R.C. 5747.01(B)); OR
- Qualifying investment income (see R.C. 5747.012).

Schedule H – Allocated Nonbusiness Income for Trusts

Line 62 – Allocation of Income for Resident Trusts

Resident trusts must enter the trust’s Ohio taxable income (line 3) not reported on lines 56 or 59.

Line 63 – Allocation of Income for Nonresident Trusts

Nonresident trusts must enter the following types of nonbusiness income to the extent included in the trust’s Ohio taxable income (line 3) and not reported on line 56 or 59:

- Capital gains or losses from the sale, exchange or transfer of Ohio real property and/or Ohio-based tangible personal property;
- Rents and royalties from Ohio real property and/or tangible personal property used in Ohio;
- Patents and copyright royalties used by the payor in Ohio;
- Ohio Lottery Commission winnings and gains and/or losses from the sale or transfer of such winnings.
- Pursuant to division (BB)(4)(c)(ii) of R.C. 5747.01, if (i) a nonresident trust sells, exchanges or otherwise disposes of its direct or indirect interest in a closely held business having property, payroll and/or sales in Ohio, (ii) the gain (loss) recognized from the sales, exchange or other disposition is not a “qualifying trust amount” as defined in division (BB)(2) of R.C. 5747.01 and (iii) that gain (loss) is not “modified business income” as defined in division (BB)(1) of R.C. 5747.01, then the nonresident trust must situs to Ohio a portion of that gain (loss). For additional information see R.C. 5747.212.

Schedule I – Tax Credit for Resident Trusts

Line 65 – Portion Taxed by Another State

Enter the amount of the resident trust’s allocated nonbusiness income (line 62) subjected to tax by another state or in the District of Columbia.

Example: The Pat Smith Trust, a resident trust, has no qualifying trust amount and no business income. The resident trust had modified Ohio taxable income of \$75,000 from dividends. The tax shown on line 8 on the Ohio form IT 1041 is \$3,158. Another state imposed on the trust an income tax of \$1,100 based upon taxable income of \$25,000, which the trust reported to that state. The trustee would calculate the resident tax credit as follows:

Line 65	\$25,000
Line 66	\$3,158
Line 67	\$75,000
Line 68	.0421
Line 69	\$1,053
Line 70	\$1,100
Line 71	\$1,053

**Apportionment Factors
Ohio Revised Code Section (R.C.) 5747.013(B)**

Note: When calculating the Ohio income tax, a trust that has invested in a pass-through entity must apply the “aggregate” (conduit) theory of taxation. That is, the character of all income and deductions (and adjustments to income and deductions) realized by an S corporation or a partnership or a limited liability company (treated as a partnership for federal income tax purposes) in which the trust has

invested retains that character for purposes of the withholding tax and the entity tax when recognized by the qualifying pass-through entity. Furthermore, the trust must include in its apportionment ratio its proportionate share of each lower-tiered pass-through entity's property, payroll and sales. See R.C. 5747.231.

If the apportioned **income** from business income/losses and from qualifying investment income was received from more than one entity whose businesses are not unitary with each other, then the trust must make a separate apportionment calculation for each business.

Property Factor (Line 72)

The property factor is a fraction whose numerator is the average value of the trust's includible real and tangible personal property owned or rented, and used in the trade or business in Ohio during the taxable year, and the denominator of which is the average value of all the trust's includible real and tangible personal property owned or rented, and used in the trade or business everywhere during such year.

Property owned is valued at its original cost average value. Average value is determined by adding the cost values at the beginning and at the end of the taxable year and dividing the total by two. The tax commissioner may require the use of monthly values during the taxable year if such values more reasonably reflect the average value of the entity's property.

In determining average value, **exclude** from "Within Ohio" and from "Total Everywhere" the following:

- Construction in progress.
- The original cost of property within Ohio with respect to which the state of Ohio has issued an air pollution, noise pollution or an industrial water pollution control certificate. See division (B) (1) of R.C. 5747.013.
- The original cost of real property and tangible property (and in the case of property that the trust is renting from others, eight times the net annual rental rate), which is used exclusively during the taxable year for qualified research as defined in division (A)(2) of R.C. 5747.13.
- Property that the trust owns but leases to a lessee to be used in the lessee's trade or business.

Line 72a – Property Owned – Within Ohio

Enter the average value of the real property and tangible personal property, including leasehold improvements, owned and used in the trade or business in Ohio during the taxable year.

Line 72a – Property Owned – Total Everywhere

Enter the average value of all the real property and tangible personal property, including leasehold improvements, owned and used in the trade or business everywhere during the taxable year.

Line 72b – Property Rented

Enter the value of the real property and tangible personal property rented and used in the trade or business in Ohio and everywhere during the taxable year and not excluded above. Property rented is valued at eight times the annual rental rate (annual rental expense less subrental receipts).

Line 72c – Property Total – Within Ohio and Total Everywhere

Add lines 72a and 72b for Within Ohio and Total Everywhere.

Line 72c – Property Ratio

Enter the ratio of property Within Ohio to Total Everywhere by dividing the amount Within Ohio by the Total Everywhere amount.

Line 72c – Weighted Property Ratio

Multiply the property ratio on line 72c by the property factor weighting of 20%.

Payroll Factor (Line 73)

The payroll factor is a fraction, the numerator of which is the total compensation paid in Ohio during the taxable year by the trust, and the denominator of which is the total compensation paid both within and without Ohio during the taxable year by the trust. As used below, the term "compensation" means any form of remuneration paid to an employee for personal services. Do **not** include in Within Ohio or in Total Everywhere the following:

- Guaranteed payments made to partners.
- Compensation paid in Ohio to employees who are primarily engaged in qualified research.
- Compensation that an S corporation, in which the trust has an equity interest, paid to any shareholder if the shareholder directly or indirectly owned at least 20% of the S corporation at any time during the year. R.C. 5733.40(A)(7).

Line 73 – Payroll Within Ohio

Enter the total amount of the compensation paid in Ohio during the taxable year. Compensation is paid in Ohio if any of the following apply:

- The recipient's service is performed entirely within Ohio; OR
- The recipient's service is performed both within and outside Ohio, but the service performed outside Ohio is incidental to the recipient's service within Ohio; OR
- Some of the recipient's service is performed within Ohio and either the recipient's base of operations, or if there is no base of operations, the place from which the recipient's service is directed or controlled is within Ohio, or the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the recipient's residence is in Ohio.

Compensation is paid in Ohio to any employee of a common or contract motor carrier corporation who performs his regularly assigned duties on a motor vehicle in more than one state in the same ratio by which the mileage traveled by such employee within Ohio bears to the total mileage traveled by such employee everywhere during the taxable year. The statutorily required mileage ratio applies only to contract or common carriers. Thus, without approval by the tax commissioner, a manufacturer or merchant who operates its own fleet of delivery trucks may not situs driver payroll based upon the ratio of miles traveled in Ohio to miles traveled everywhere. See *Cooper Tire and Rubber Co. v. Limbach* (1994), 70 Ohio St. 3d 347.

Line 73 – Payroll Total – Everywhere

Enter the total amount of the compensation paid everywhere during the taxable year.

Line 73– Payroll Ratio

Enter the ratio of payroll Within Ohio to Total Everywhere by dividing the amount Within Ohio by the Total Everywhere amount.

Line 73 – Weighted Payroll Ratio

Multiply the payroll ratio on line 73 by the payroll factor weighting of 20%.

Sales Factor (Line 74)

The sales factor is a fraction whose numerator is composed of the trust's total sales in Ohio during the taxable year and whose denominator is the sum of the trust's total sales everywhere during the taxable year.

Exclude the following receipts from both the numerator and the denominator of the sales factor even if the receipts arise from transactions, activities and sources in the regular course of a trade or business:

- Interest or similar amounts received for the use of, or for the forbearance of the use of, money.
- Dividends.
- Receipts and any related gains and losses from the sale or other disposal of capital assets or of assets described in I.R.C. 1231.
- Receipts from (a) an at-least-80%-owned public utility other than an electric company, combined electric company, or telephone company, (b) an at-least-80%-owned insurance company or (c) an at-least-25%-owned financial institution.

Line 74 – Sales Within Ohio

Enter the total of gross receipts from sales, not otherwise excludable from the numerator and the denominator of the sales factor, to the extent the includible gross receipts are from sales in Ohio. Sales in Ohio include the following:

- Receipts from sales of tangible personal property inventory, less returns and allowances, received by the purchaser in Ohio. In the case of delivery of tangible personal property by common carrier or by other means of transportation, the place at which such property is ultimately received after all transportation has been completed is considered as the place at which such property is received by the purchaser. Direct delivery in Ohio, other than for purposes of transportation, to a person or firm designated by a purchaser constitutes delivery to the purchaser in Ohio, and direct delivery outside Ohio to a person or firm designated by a purchaser does not constitute delivery to the purchaser in Ohio, regardless of where title passes or other conditions of sale.

Customer pick-up sales are situsable to the final destination after all transportation (including customer transportation) has been completed. See *Dupps Co. v. Lindley* (1980), 62 Ohio St. 2d 305.

Revenue from servicing, processing or modifying tangible personal property is situs to the destination state as a sale of tangible personal property (rather than situs as service revenue). See *Custom Deco, Inc. v. Limbach*, BTA Case No. 86-C-1024, June 2, 1989.

- Receipts from sales of real property inventory in Ohio.
- Receipt from sales, other than sales of inventory, if:

The income-producing activity is performed entirely within Ohio; OR

The income-producing activity is performed both within and without Ohio and a greater proportion of the income-producing

activity is performed within Ohio than in any other state, based on cost of performance. If the income-producing activity involves the performance of personal services both within and without Ohio, the services performed in each state will constitute a separate income-producing activity. In such case the gross receipts for the performance of services attributable to Ohio shall be measured by the ratio that the time spent in performing such services in Ohio bears to the total time spent in performing such services everywhere. Time spent in performing services includes the amount of time expended in the performance of a contract or other obligations that gives rise to such gross receipts. Personal service not directly connected with the performance of the contract or other obligations (for example, time expended in negotiating the contract) is excluded from the computation.

The term "income-producing activity" means, with respect to each separate item of income, the transaction and activity directly engaged in by the taxpayer in the regular course of its trade or business for the purpose of obtaining gains or profits. Such activity does not include transactions and activities performed on behalf of the taxpayer, such as those conducted on its behalf by an independent contractor. See section 17 of the Uniform Division of Income for Tax Purposes Act, drafted by the National Conference of Commissioners on Uniform State Laws, July 8-13, 1957.

The term "cost of performance" means direct costs determined in a manner consistent with generally accepted accounting principles and in accordance with accepted conditions or practices in the taxpayer's trade or business. For purposes of this term receipts from rental property are situs to this state if the property (i) is used entirely in this state or (ii) is used more in this state than in any other state. See section 17 of the Uniform Division of Income for Tax Purposes Act, drafted by the National Conference of Commissioners on Uniform State Laws, July 8-13, 1957.

Line 74 – Sales Total – Everywhere

Enter the total of such includible gross receipts, less returns and allowances, from sales everywhere.

Line 74 – Sales Ratio

Enter the ratio of sales Within Ohio to Total Everywhere by dividing the amount Within Ohio by the Total Everywhere amount.

Line 74 – Weighted Sales Ratio

Multiply the sales ratio on line 74 by the sales factor weighting of 60%.

Net Payment Worksheet

Line 76a – Enter the sum of the estimated payments remitted for tax year 2015.

Line 76b – Enter the amount of the 2014 overpayment that was credited to the 2015 tax liability (line 18 of the 2014 Ohio form IT 1041).

Line 76c – Enter the sum of all withholdings received on IRS form 1099. Attach all IRS 1099 forms to the back of the return.

Line 76d – Enter the sum of all withholdings received on IRS forms W-2 and W-2G. Attach all IRS W-2 and W-2G forms to the back of the return.

Line 76e – *For amended returns only* – Enter the amount of any refunds previously claimed, even if not yet received, for tax year 2015.

Matching Expense and Loss Amounts and Distribution Deductions Against Income and Gain

The fiduciary should directly match against items of income and gain (and against excluded income and gain, if any) those expenses and losses that are directly related to the items of income or gain. With respect to those expenses and distributions which the fiduciary cannot directly match to items of income and gain, the fiduciary should proportionately assign those expenses and distributions. Generally, the basis for assigning expenses, losses and distributions will be the relative profit for each activity.

Example #1 (this example illustrates the assigning of direct distributions):

The trust document directs that the fiduciary distribute to Lee, a beneficiary, 75% of the yearly profit from rental activities. The rental activity profit constitutes business income. For the year the rental profit was \$100,000, there was no other income and the only distributions was \$75,000 to Lee.

The fiduciary must reduce the trust's rental profit by the distribution deduction attributable to the rental profit (in this example, 75% of the rental activity profit). So the amount to be shown on Schedule G, line 59, will be \$25,000.

Example #2 (this example illustrates the assigning of (i) direct expenses, losses and distributions and (ii) indirect expenses, losses and distributions):

Gross rent	\$530,000
Dividend income	200,000
Interest Income	41,000
Net capital gain (stocks and bonds)	60,000
Rental property depreciation expense	- 100,000
Rental property real estate taxes and related payroll expenses	- 25,000
Attorney fees (lease preparation)	- 5,000
Investment advisor fees (stocks & bonds)	- 1,000
Fiduciary fees (based upon profit)	- 10,000
Distribution deduction (discretionary)	- 60,000
Taxable income per IRS form 1041	\$ 630,000

Other information: (i) the rental profit constitutes business income, (ii) for purposes of this example, all other income and gain constitute nonbusiness income, (iii) there are no "Schedule A" Ohio adjustments (so Ohio taxable income is the same as taxable income per IRS form 1041), and (iv) there are no items of closely held investee gains (losses) and no items of qualifying investment income (see Schedules F and G, respectively).

Matching of Directly Related Expenses and Losses

Rental Activity

Rents	\$ 530,000
Less: Depreciation expense	- 100,000
Real estate taxes and payroll expenses	- 25,000
Attorney fees	- 5,000
Tentative apportionable profit from rental activities (business income)	\$ 400,000

Portfolio Income

Dividends, interest and net capital gains	\$ 301,000
Less: Investment advisor fees	- 1,000
Tentative profit from "portfolio" income (nonbusiness income)	\$ 300,000

Matching of Nondirectly Related Expenses and Losses and Distribution Deduction Not Directly Related to Specific Items of Income and Gain

In this example the total of such expenses, losses and distributions is \$70,000: fiduciary fees of \$10,000 and distribution deduction of \$60,000.

Portion of \$70,000 assigned to the rental activity:

$$\frac{\$400,000}{\$400,000 + \$300,000} \times \$70,000 = \$ 40,000$$

Portion of \$70,000 assigned to the portfolio income:

$$\frac{\$300,000}{\$400,000 + \$300,000} \times \$70,000 = \$ 30,000$$

Amount of apportionable business income to be reported on Schedule G, line 59:

$$\$400,000 - \$40,000 = \$ 360,000$$

Amount of allocable nonbusiness income to be reported on Schedule H, line 62:

$$\$300,000 - \$30,000 = \$ 270,000$$

Ohio taxable income	\$ 630,000
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Federal Privacy Act Notice

Because we require you to provide us with a Social Security number, the *Federal Privacy Act of 1974* requires us to inform you that providing us your Social Security number is mandatory. Ohio Revised Code sections 5703.05, 5703.057 and 5747.08 authorize us to request this information. We need your Social Security number in order to administer this tax.

Ohio Income Tax Table

To be used for calculating the tax for line 8 for the taxable year beginning in 2015.

Amount on Line 3 (Estates) or Line 7 (Trusts)	2015 Ohio Tax (to Line 8)			
\$0 - \$5,200	0.495% of Ohio taxable Income			
\$ 5,200 - \$ 10,400	\$25.74	plus	0.990%	of the amount in excess of \$5,200
\$ 10,400 - \$ 15,650	\$77.22	plus	1.980%	of the amount in excess of \$10,400
\$ 15,650 - \$ 20,900	\$181.17	plus	2.476%	of the amount in excess of \$15,650
\$ 20,900 - \$ 41,700	\$311.16	plus	2.969%	of the amount in excess of \$20,900
\$ 41,700 - \$ 83,350	\$928.71	plus	3.465%	of the amount in excess of \$41,700
\$ 83,350 - \$104,250	\$2,371.88	plus	3.960%	of the amount in excess of \$83,350
\$104,250 - \$208,500	\$3,199.52	plus	4.597%	of the amount in excess of \$104,250
More than \$208,500	\$7,991.89	plus	4.997%	of the amount in excess of \$208,500

For other taxable years, please see our Web site at tax.ohio.gov.

Important Notice

If at the date of death the decedent was domiciled in a school district imposing a school district income tax on estates and if the fiduciary of the estate is required to file Ohio form IT 1041, then the fiduciary of the estate must also file for that taxable year a School District Estate Income Tax Return, Ohio form SD 100E.

For assistance and/or forms, please see our Web site at tax.ohio.gov or contact the Ohio School District Income Tax Office, P.O. Box 182389, Columbus, OH 43218-2389.

