

# **Special Needs Trusts Tax Issues**

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# TAX PLANNING WITH SPECIAL NEEDS TRUSTS

By Bradley J. Frigon

## I. INTRODUCTION

Lawyers that advise clients on special needs trust generally devote the majority of their time to secure and maintain the special needs beneficiary's eligibility for public benefits. To maximize trust assets to the special needs beneficiary, the lawyer must also understand the income, gift and estate tax rules that apply to special needs trusts and the beneficiary. These materials will review the applicable income, estate and gift tax rules and how they impact third party and first party special needs trusts (SNTs).

Except for a grantor trust, a trust is taxed as a separate entity for federal income tax purposes. A non grantor trust has the same tax rates as individuals under §1 of the Internal Revenue Code of 1986<sup>1</sup>, as amended (the Code). Although the identical tax rates (15%, 25%, 28%, 33%, 35%, and 39.6%<sup>2</sup>) apply to both individuals and trusts, the tax brackets for a trust are more compact than for an individual.<sup>3</sup> In 2013, a trust with taxable income over \$11,950 is taxed at a 39.6%-rate bracket. In contrast, an unmarried individual must have taxable income over \$400,000 to reach the 39.6%

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<sup>1</sup>Section 1(e) and (i)(2) as adjusted by Rev. Proc. 2013-15 (for 2013).

<sup>2</sup> Individuals have a tax rate of 10% if taxable income is not over \$8,925.00.

<sup>3</sup> Section 67(e) provides that an estate or trust's adjusted gross income is computed in the same manner as in the case of an individual except that: (1) the deductions for costs which are paid or incurred in connection with the estate or trust administration and which would not have been incurred if the property were not held in such trust or estate, and (2) the deductions allowable under §642(b)651 and §661 are treated as allowable in arriving at adjusted gross income. Section 67 is pertinent in determining application of the 2% floor on miscellaneous itemized deductions.

rate bracket for 2013.

A grantor trust is not treated as a separate taxpayer for federal income tax purposes. The income from a grantor trust is taxed to the grantor or, sometimes, to another person because he or she holds some interest in or control over the trust's assets.<sup>4</sup> If the grantor or another person is treated as the owner of any portion of trust assets, then the trust is ignored for income tax purposes and the income, deductions, and credits attributable to that portion of the trust assets are taxed to the grantor.<sup>5</sup>

If the grantor is not deemed as the owner of a portion of the trust assets, then the trust is taxed as a separate entity for federal income tax purposes. If a trust is taxed as a separate entity then it will be taxed as a simple or complex trust unless the trust is a charitable trust.

Although the immediate focus is with the income tax rules associated with the creation of the SNT, the lawyer must also be concerned with the estate and gift tax rules. Is there an immediate taxable gift to the SNT beneficiary upon creation of a first party SNT? Will the property be included in the gross estate of the parent who created the third party SNT for federal estate tax purposes? The rules for determining ownership for federal income tax purposes are not always the same as the rules for determining ownership for federal estate tax purposes.

## **II. GRANTOR TRUST RULES.**

The original purpose of the grantor tax rules<sup>6</sup> was to deter a taxpayer from maintaining control over an asset while taking advantage of the lower tax rates for trusts. Subpart E of the

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<sup>4</sup> § 678.

<sup>5</sup> § 671.

<sup>6</sup> Subpart E (§§ 671– 679).

Internal Revenue Code was enacted to prevent a grantor from exploiting the lower tax brackets for trusts while still retaining ownership over the trust's assets. When the tax rates for trusts became higher than individual rates, there was no longer a tax incentive to shift income to a trust. In short, the tax advantage of shifting income to a trust is gone, but the rules making it difficult to divert income from the grantor to the trust remain the same.

#### **A. Identifying the Grantor**

The identification of a trust's grantor was determined under case law until regulations were issued in 2000. The regulations are applicable to transfers to trusts or transfers of interests in trusts made after the 1999 effective date of the regulations. Obviously, a person who creates a trust and funds it is the grantor. The issue is less clear if the person who creates a trust is not the same person who transfers property to the trust:

For example, in *Moore v. Commissioner*<sup>7</sup>, a state court order set up a trust to hold the residue of a decedent's estate and the residual beneficiaries of the estate consented to the creation of the trust. The Tax Court ruled that each beneficiary was the grantor to the extent of each beneficiary's interest in the trust. Similarly, in Revenue Ruling 83-25<sup>8</sup>, the Service ruled a minor was the grantor of a trust that was created for the minor by a court order to hold a personal injury award.

In Private Letter Ruling 200620025, a decedent's disabled son was one of four designated beneficiaries of the decedent's IRA. Because the disabled son was eligible for Medicaid, his guardian sought permission of a local court to create a special needs trust for the son and to transfer his interest in the IRA to the trust. The Service ruled that the court created special needs trust was a

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<sup>7</sup> *Moore v. Comm'r*, 23 T.C.534 (1954).

<sup>8</sup> Rev. Rul. 83-25, 1983-1 C.B. 116.

grantor trust of the decedent's son under § § 671 and 677(a) and that the transfer of the IRA to the trust was not a taxable disposition under § 691(a)(2).

Trusts created by court orders are distinguishable from trusts created by the government. For example, in Revenue Ruling 77-230<sup>9</sup>, the United States was determined to be the grantor of a trust set up in settlement of a claim against it, because income in excess of expenses were accumulated and corpus reverted to the United States when the trust terminated.

## **B. Code Sections**

The starting point to determine if the grantor (or another) is the deemed owner of the trust for income tax purposes begins with an analysis of the list of ownership powers found under § 671-677. IRC §671 provides that "Where it is specified in this subpart that the grantor or another person shall be treated as the owner of any portion of a trust, there shall then be included in computing the taxable income and credits of the grantor or the other person those items of income, deduction, and credits against tax of the trust which are attributable to that portion of the trust to the extent that such items would be taken into account under this chapter in computing taxable income or credits against the tax of an individual."

## **C. Definitions**

**1. Adverse Party and Nonadverse Party.** An adverse party is anyone with a *substantial beneficial interest* in the trust that would be *adversely affected* by the exercise or non-exercise of a power with respect to the trust.<sup>10</sup> In typical tax language, a nonadverse party is anyone who is not an

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<sup>9</sup> Rev. Rul 77-230, 1977-2 C.B. 214.

<sup>10</sup> § 672(a).

adverse party.<sup>11</sup> In general, a trust related power that can be exercised only with the consent of an adverse party will not cause the holder of such power to be deemed the tax owner of the portion of the trust which relates to such power.<sup>12</sup>

The real focus is on whether a beneficial interest is adversely affected by the exercise or non-exercise of a power over the trust. In most cases, a beneficiary is an adverse party because he or she is hurt by the grantor's exercise of a power over the trust. A substantial beneficial interest in the trust includes a general power of appointment over all or a portion of the trust property.<sup>13</sup> Other than a general power of appointment, the regulations do not define what is not a substantial beneficial interest other than to state that an "interest is a substantial interest if its value in relation to the total value of the property subject to the power is not insignificant."<sup>14</sup>

In many situations, the trustee of a first party SNT is a parent or other family member. The trustee family member is often a residuary beneficiary of the trust. This dual role makes the family member serving as the trustee an "adverse party." An adverse party exists because the residuary

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<sup>11</sup> § 672(b).

<sup>12</sup> Regs. §1.676(a)-1. In PLR 200247013 a settlor created an irrevocable trust for the benefit of settlor's parents' descendants, including the settlor. Settlor's brother and sister were named as the initial distribution committee of the trust who had the sole and absolute discretion to make income and principal distributions to such descendants, including themselves. The IRS ruled that so long as the distribution committee was serving, the settlor would not be treated as the owner pursuant to § 671 of any portion of Trust under §§673, 674, 675, 676, 677 and 678. The IRS explained that each member of the distribution committee had a substantial beneficial interest in both the income and the principal of the trust, and thus, both members of the Distribution Committee were adverse to the settlor. See also PLR 200731019 PLR 200715005 PLR 200647001 and PLR 200612002.

<sup>13</sup> § 672(a).

<sup>14</sup> Reg. § 1.672(a)-1(a).

beneficiary is adversely affected to the extent he or she exercises his or her power as trustee to consent to distributions to the special needs beneficiary. When the trustee makes a distribution he or she logically has to make it with his or her own consent, i.e., with the consent of an "adverse party".

**2. Related or Subordinate Party (RSP).** In many cases, powers held or actions performed by a related or subordinate party (RSP) are imputed to the grantor. A person is an RSP (with respect to the grantor) if such person satisfies two tests. First, such person must be a nonadverse party.<sup>15</sup> Second, such person must be related to the grantor in one of the following categories: (1) the grantor's spouse; (2) the grantor's parent; (3) the grantor's issue; (4) the grantor's sibling; (5) the grantor's employee; (6) a corporation in which either or both the grantor and the trust have "significant" voting power (a "controlled corporation"); (7) an employee of a controlled corporation; or (8) an employee of a corporation in which the grantor is an executive.<sup>16</sup>

**D. Section 674 - Powers to Control Beneficial Enjoyment.**

The general rule is that the right to dispose of the beneficial enjoyment of trust property is treated the same as owning the trust property. Not surprisingly, holding such a power triggers grantor trust status to the person who holds this control.<sup>17</sup> The grantor is considered as the owner of that portion of the trust where beneficial enjoyment of the principal<sup>18</sup> or income is subject to a power of disposition that is exercisable by the grantor or a nonadverse party (or both) without the consent or

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<sup>15</sup> § 672(a).

<sup>16</sup> § 672(c).

<sup>17</sup> § 674(a).

<sup>18</sup> Under § 674(b)(5)(A) a power over principal will not invoke grantor trust status if it is limited by a "reasonably definite standard."



approval of any adverse party.<sup>19</sup>

The most popular "violation" seems to be a special power of appointment (IRC §674). Under IRC §674, a grantor shall be treated as the owner of any portion of a trust in which the beneficial enjoyment of the corpus or the income there from is subject to a power of disposition, exercisable by the grantor or a non adverse party.

IRC §674 is also full of exceptions that must be avoided. First, §674 prevents a power of appointment from triggering "grantor trust" treatment if the power may only be exercised with the consent of an adverse party (so the power must typically be exercisable unilaterally by the disabled grantor/beneficiary). It does not matter that the grantor/beneficiary does not have mental capacity to ever exercise such power.

Don't be fooled by IRC §674(b)(3) which expressly takes out of Grantor Trust treatment a power "exercisable only by will" to appoint the income of the trust where the income is accumulated for such disposition by the grantor or may be so accumulated in the discretion of the grantor or a non-adverse party, or both, without the consent or approval of any adverse party. Although IRC §674(b)(3) appears to take a testamentary limited power of appointment out of grantor trust treatment, the reference under §674(b)(3) is to ordinary income and not accounting income. If the terms of the trust document allows Trustee discretion to accumulate all income (and not just ordinary income), then §674(b)(3) does not apply.

#### **E. Section 677 - Income For Benefit of Grantor**

IRC §677 provides that "the grantor shall be treated as the owner of any portion of a trust,

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<sup>19</sup> The Code contains a number of exceptions to the general rule under § 674(a) that the holder of a beneficial interest will be treated as the owner for income tax purpose. A complete discussion of these exceptions is beyond the scope of this article.

. . . whose income without the approval or consent of an adverse party, is, or in the discretion of the grantor or a nonadverse party, or both, may be distributed to the grantor or the grantor's spouse; [or] held or accumulated for future distribution to the grantor or the grantor's spouse; . . ." What could be a clearer description of a (d)(4)(A) special needs trust with an independent trustee.

However, grantor trust status may be lost when an “adverse party” is serving as trustee. Often the trustee of a (d)(4)(A) trust is a parent or other family member. A family member serving as trustee would be an “adverse party” if that family member is also a residual trust beneficiary. In other words, the trustee is adversely affected as a residuary beneficiary to the extent he or she exercises his or her power to consent to distributions to the primary beneficiary. As a result, a trust may be taken out of "grantor trust" treatment when an adverse party is serving as trustee.

The facts of PLR 200247013 provide a great example of the interplay § 677 and an “adverse party” In PLR 200247013 a settlor created an irrevocable trust for the benefit of settlor's parents' descendants, including the settlor. The settlor's brother and sister were named as the initial distribution committee of the trust who had the sole and absolute discretion to make income and principal distributions to such descendants, including themselves. The IRS ruled that so long as the distribution committee was serving, the settlor would not be treated as the owner pursuant to § 671 of any portion of Trust under §§673, 674, 675, 676, 677 and 678. The IRS explained that each member of the distribution committee had a substantial beneficial interest in both the income and the principal of the trust, and thus, both members of the distribution committee were adverse to the settlor.<sup>20</sup>

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<sup>20</sup> See also PLR 200731019, PLR 200715005, PLR 200647001, and PLR 200612002.

## **F. Reversions, Section 673**

A reversion is a power to reclaim possession or enjoyment of the trust property. If at the creation of the trust, the value of the reversion exceeds 5% of the value of the trust portion to which the reversion relates, the grantor is treated as the owner of that portion of the trust.<sup>21</sup> To determine whether the value of the reversion exceeds the 5% threshold, the value of the reversion is compared to the value of the transferred property, including those interests not dependent upon surviving the grantor.<sup>22</sup> The reversion test is met whether the grantor retained a reversion that is expressly stated in the document or occurs by operation of law.<sup>23</sup>

Section 673 provides as follows:

“The grantor will be treated as the owner of a trust or any portion of the trust in which the grantor has a reversionary interest in either the corpus or the income there from, if, as of the creation of the trust (or such portion), the value of such interest exceeds 5% of the value of the trust (or such portion).”

For § 673 to apply there must be a reversionary interest to the grantor. Actuarial rules under § 2031 are used to value the reversion. For example: T creates a trust for 50 years for A. After 50 years, the trust then terminates and reverts to the grantor T. If the applicable § 7520 interest rate is 1.4% at the time the trust is created, the value of the reversion is 49.9%. Since the value of the reversionary interest exceeds 5%, T would be treated as the grantor under § 673.

Section 673(c) is a valuation subsection to the general rule stated in 673(a). In other words, 673(c) does not create an additional category of rules to make a trust a grantor trust, it is an instruction

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<sup>21</sup> § 673(a).

<sup>22</sup> Reg. § 20.2037-1(c)(4).

<sup>23</sup> Reg. § 20.2037-1(c)(2).

on how the reversionary interest must be valued.

### **673(c) Special Rule For Determining Value Of Reversionary Interest**

“For purposes of subsection (a), the value of the grantor's reversionary interest shall be determined by assuming the maximum exercise of discretion in favor of the grantor.”

For example, a grantor funds a discretionary trust for the benefit of his children to last for 20 years. At the expiration of the 20 year period, the trust fund is to revert to the grantor. In determining whether the trust is a grantor trust under 673(a), the value of the grantors reversionary interest at the inception of the trust needs to be determined by assuming the maximum exercise of discretion in favor of the grantor. This means that in determining the value of the grantor's reversionary interest, 673 (c) requires an assumption that no distributions are made to the grantor's children during the trust's 20 year term.

A well drafted first party snt trust will require the trustee to exercise maximum discretion in favor of the beneficiary. The trust document must also provide that the grantor (beneficiary) cannot compel the trustee to make any distributions to or for the benefit of the grantor (beneficiary). If the document provided otherwise, it would not be a valid first party snt. The exercise of maximum discretion for the benefit of the grantor (beneficiary) is not a reversionary interest as contemplated under § 673(a). If there is no reversionary interest as defined in § 673(a), § 673(c) does not apply. Section 673(c) does not impose grantor tax status to a discretionary trust where no reversionary interest exists in the first place.

### **G. Power to Revoke**

The grantor is the deemed owner of the trust where the grantor or a nonadverse party may

revoke the trust and reinvest the property in the grantor.<sup>24</sup> If the grantor or nonadverse party holds the power to revoke only a portion of the trust, then the grantor is the deemed owner of only that portion of the trust subject to possible revocation.<sup>25</sup>

## **H. Administrative Powers**

In most situations, administrative powers do not equate to ownership because administrative powers do not affect beneficial enjoyment of the property and do not represent a retained interest in the trust assets. Nonetheless, some administrative powers give the grantor the ability to engage in non-arms-length transactions with the trust. If the Code deems such power sufficiently equivalent to ownership, then the grantor is treated as the owner of that portion of the trust to which the power relates.<sup>26</sup>

Under § 675 there are six administrative powers that give rise to grantor trust status. By adding one or more of these powers to the trust document, grantor trust treatment may be obtained.<sup>27</sup> The following is a partial list of administrative powers that may give rise to grantor trust treatment.

**1. Transactions for Less Than Full Consideration.** The grantor is treated as the deemed owner of the trust where the grantor or a non-adverse party (or both) may exercise a power, without the approval or consent of an adverse party, to enable anyone to purchase, sell, exchange, or otherwise deal with or dispose of trust principal or income for less than “an adequate consideration in money or

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<sup>24</sup> § 676(a).

<sup>25</sup> § 676(a).

<sup>26</sup> § 675.

<sup>27</sup> It should be noted that the addition of some administrative powers alone will not make the grantor the deemed owner of the entire trust, since the powers may only relate to a portion of the trust (i.e., income or principal).

money's worth.<sup>28</sup> A broad general authority in the trust document for the trustee to deal with trust property is not by itself sufficient to invoke grantor trust treatment. If, on the other hand, the trustee engages in non-arms-length transactions in the actual administration of the trust based upon a broad grant of power under the document, the Service may take the position that the trustee has the power to deal trust assets for less than adequate consideration.<sup>29</sup>

**2. Borrowing Without Adequate Interest or Security.** The grantor is treated as the deemed owner of a portion of the trust where the grantor or a non-adverse party (or both) may exercise a power that allows the grantor to borrow principal or income without paying adequate interest or without providing adequate collateral to secure the loan.<sup>30</sup> The general rule does not apply if the trust agreement authorizes the trustee (other than the grantor or the grantor's spouse) to lend money to anyone on such terms and conditions as the trustee deems advisable, including making loans without adequate interest or adequate security (i.e., gives the trustee a general lending power).<sup>31</sup>

Additionally, giving the trustee a general power under the trust instrument "to determine interest rates and the adequacy of security," does not automatically mean that the grantor will hold a power to borrow principal or income without adequate interest or security.<sup>32</sup>

**3. Loans Outstanding at End of Year.** To the extent the grantor, or the grantor's spouse, have actually borrowed principal or income from the trust and have not completely repaid the amount

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<sup>28</sup> § 675(1).

<sup>29</sup> Reg. § 1.675-1(c).

<sup>30</sup> § 675(2).

<sup>31</sup> 675(2).

<sup>32</sup> Reg. § 1.675-1(b)(2).

borrowed (including interest) before the start of the taxable year will cause at least a portion of the trust to be treated as a grantor trust.<sup>33</sup> Deemed ownership does not occur if the loan provides for both adequate interest and adequate collateral to secure the loan.<sup>34</sup>

**4. Power to Reacquire Trust Assets by Substitution.** A power to “reacquire trust corpus by substituting other property of an equivalent value” exercisable by any person will cause the grantor to be the deemed owner of the trust property.<sup>35</sup> The powers to create a grantor trust under §675(4) apply regardless of the identity of the person holding the administrative power in a nonfiduciary capacity. Even if a nonfiduciary is adverse with respect to the exercise of the power, the grantor trust rules still seem to apply. In addition to the power to reacquire trust assets, §675(4)(a) and (b) will cause grantor trust treatment if there is a power to vote or direct the voting of the trust's stock or securities of a corporation in which the trust's and the grantor's holdings are significant from the viewpoint of voting control and the control the trust's investments in stock or securities of a corporation in which the trust's and the grantor's holdings are significant from the viewpoint of voting control, either by directing or vetoing the trust's investments or reinvestments.

### **III. GRANTOR TRUST STATUS AND THIRD PARTY SNTs**

#### **A. Stand Alone Inter Vivos Third Party Special Needs Trust.**

Achieving nongrantor tax status can be a significant problem for a third party inter vivos SNT. In a common example, parents decide to create a SNT for the benefit of their disabled adult child who

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<sup>33</sup> § 675(3).

<sup>34</sup> Reg. § 1.675-1(b)(3).

<sup>35</sup> §675(4)(c).

is receiving SSI benefits and Medicaid.<sup>36</sup> To coordinate the receipt of potential inheritances from the child's parents and grandparents, an inter vivos stand alone special needs trust is created. The parents express a desire to serve as trustee and direct that any remaining trust assets pass to their other two children on the death of the special needs beneficiary. Other than SSI, the special needs beneficiary has no other income or itemized deductions. The parent's express their concern on being taxed on the income from the trust.

The terms of the SNT permit the trustee to accumulate income for the benefit of the special needs beneficiary. The trustees plan to use a portion of the income to hire a care manager and to pay for recreational and vocational classes for the beneficiary. To avoid the trust from being taxed as a grantor trust to the parents, the following recommendations should be considered:

**1. Control Powers.** If the parents appoint an independent trustee who is not related or subordinate to them, then most of the difficulty is eliminated in achieving nongrantor tax status. If the parents insist on serving as trustee, then nongrantor status is more problematic.

**2. Reversionary Interest.** The parents cannot retain a reversionary interest in the trust. If at the creation of the trust, the value of the reversion exceeds 5% of the value of the trust portion to which the reversion relates, the grantor is treated as the owner of that portion of the trust. This means that upon the death of the special needs beneficiary, the property cannot pass back to the parents.

**3. Power to Control Beneficiary Enjoyment.** Generally, a SNT allows the trustee the power and authority to distribute or withhold income and principal for the beneficiary's "special needs." To determine grantor trust status, it is necessary to examine the trustee's authority to withhold income and principal.

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<sup>36</sup> IRC §642(b)(2)(c)).



A power to distribute trust principal to an identified beneficiary or among a class of beneficiaries will not cause the grantor to be treated as the owner of the trust to any extent, provided this power is limited by a “reasonably definite standard” set forth in the trust instrument.<sup>37</sup> “A clearly measurable standard under which the holder of a power is legally accountable is deemed a reasonably definite standard for this purpose.”<sup>38</sup> Examples of a “reasonably measurable standard” include a power to distribute principal for the “maintenance, education, support, or health” of a beneficiary, for the “reasonable support and comfort” of the beneficiary as well as distributions that allow the beneficiary to “maintain his accustomed standard of living.” Powers to distribute principal for “happiness,” “desire,” or “pleasure,” however, are listed as examples of standards that will not qualify as reasonably definite.<sup>39</sup>

A power to determine whether to pay income to (or withhold income from) the income beneficiary will not trigger grantor trust status, provided any accumulated income is ultimately paid to the income beneficiary (or to such beneficiary’s estate or appointees).<sup>40</sup> Additionally, a power to withhold income during an income beneficiary’s disability will not trigger grantor trust status.<sup>41</sup> This exception also applies to a power to withhold income from a minor. Unlike for a non-disabled beneficiary, the rule does not require that any accumulated income be held for ultimate distribution to the income beneficiary. The accumulated income may be added to principal and distributed to the

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<sup>37</sup> Reg. § 1.674(B)-1(B)(5)(I).

<sup>38</sup> See, Reg. § 1.674(B)-1(B)(5)(III).

<sup>39</sup> § 674(b)(6); Reg. § 1.674(b)-1(b)(6)(I).

<sup>40</sup> § 674(b)(7).

<sup>41</sup> Reg. § 1.674(b)-1(b)(7).

remainder beneficiaries even if they are not the same as the income beneficiary.<sup>42</sup>

**4. Administrative Powers.** To avoid grantor trust status for the parents, the drafter of the trust must carefully avoid using one of the six prohibitive administrative powers that give rise to grantor trust status under § 675. If the parent/trustee has any one of the prohibited administrative powers, grantor trust treatment will be invoked.

#### **IV. SIMPLE - COMPLEX TRUSTS**

If a trust is not a grantor trust for income tax purposes, then a trust is classified as a simple trust or complex trust. This classification is made on a year-by-year basis at the beginning of the tax year based upon what distributions or accumulations a trust makes. A trust is a simple trust for a taxable year if it satisfies three statutory requirements as set out below. A trust that does not qualify as a simple trust is a complex trust.

For simple and complex trusts, it is all about distributions. Simple trusts are entitled to a distribution deduction under § 651 and the beneficiaries of a simple trust are subject to taxation on distributions pursuant to § 652. Complex trusts are entitled to a distribution deduction under § 661 and the beneficiaries of a complex trust are subject to taxation on distributions pursuant to § 662. If a trust is as a grantor trust, distributions from the trust are irrelevant, and all income, deductions and credits are taxed to the grantor.

The requirements for a trust to be classified as a simple trust are found in §651(a) and are as follows:

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<sup>42</sup> Reg. § 1.674(b)-1(b)(8).

1. The terms of the trust require that all income be distributed currently;<sup>43</sup>
2. The terms of the trust must not provide for any amounts to be paid, permanently set aside, or used for the taxable year for charitable purposes;<sup>44</sup>
3. The trust must not actually distribute any amounts during the year other than the income required to be distributed currently;<sup>45</sup>

A trust is a complex trust (and not a simple trust):

1. For any year in which income is required to be accumulated;<sup>46</sup>
2. For any year in which the trustee has the discretion to accumulate or distribute income, even if the trustee actually distributes all of its income for that year;<sup>47</sup>
3. For any year in which principal is distributed; and<sup>48</sup>
4. For any year in which a charitable contribution is made.<sup>49</sup>

Determining whether or not trust income is required to be distributed currently depends on the terms of the governing instrument and local law.<sup>50</sup>

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<sup>43</sup> §651(a)(1).

<sup>44</sup> §651(a)(2).

<sup>45</sup> §651(a)(2).

<sup>46</sup> Reg. §1. 651(a)-2(a).

<sup>47</sup> Reg. §1. 651(a)-2(b).

<sup>48</sup> Reg. §1. 651(a)-3.

<sup>49</sup> Reg. §1. 651(a)-4.

<sup>50</sup> Reg. §1. 651(a)-2(a).

To understand how a trust is taxed, you must understand distributable net income (DNI). In general, DNI is income from an estate or trust, whether taxable or tax-exempt, which is distributable to beneficiaries, and net of estate and trust expenses and deductions. Subchapter J contains two variations of DNI, depending on whether DNI is being used to determine if a distribution is deductible to the estate or trust, if it is taxable to the beneficiary, or if it is tax-exempt interest. Distributions that carry out DNI are included in the beneficiary's income and deductible to the estate or trust.

## **V. QUALIFIED DISABILITY TRUST**

### **A. Introduction.**

The Victims of Terrorism Tax Relief Act of 2001<sup>51</sup> amended the IRC provision on trust income tax exemptions. Starting with tax year 2002, a "qualified disability trust", whether taxed as a simple or complex trust<sup>52</sup>, can claim in lieu of the \$100 or \$300 exemption, an exemption in the amount that a single individual taxpayer can claim, i.e., \$3,900 in 20013<sup>53</sup>

IRC §642(b)(2)(c) provides as follows:

For purposes of clause (I), the term 'qualified disability trust' means any trust if:

- (I) such trust is a disability trust described in subsection 1917 of the Social Security Act (c)(2)(B)(iv)" of 42 U.S.C. §1396p.
- (II) all of the beneficiaries of the trust as of the close of the taxable year are

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<sup>51</sup> Pub L. 107-134, enacted January 23, 2002.

<sup>52</sup> A grantor trust cannot be a qualified disability trust.

<sup>53</sup> For a trust in the 35% tax bracket, a QDT with personal exemption of \$3,900 could reduce tax liability versus a \$100 personal exemption for a complex trust by \$1,504.80.

determined by the Commissioner of Social Security to have been disabled (within the meaning of § 1614(a)(3) of the Social Security Act, 42 U.S.C. 1382c(a)(3)) for some portion of such year.

A trust shall not fail to meet the requirements of subclause (II) merely because the corpus of the trust may revert to a person who is not so disabled after the trust ceases to have any beneficiary who is so disabled.

**B. Statutory Requirements.**

Not all SNTs will qualify as a QDT. The statutory requirements for a trust to receive an increase exemption as a “qualified disability trust” (QDT) can be broken down as follows:

1. The trust must meet the statutory requirements of 42 U.S.C. §1396p(c)(2)(B)(iv). A trust under §1396p(c)(2)(B)(iv) must be (i) irrevocable (ii) for the sole benefit of the disabled beneficiary (iii) the beneficiary is under the age of 65 and (iv) the beneficiary is disabled as defined for purposes of the Supplemental Security Income (SSI) and Social Security Disability Income (SSDI) programs.
2. The trust must be taxed as a simple or complex trust under §652 or §652. Since a grantor trust is not a separate taxpayer, it will not qualify as a QDT.
3. The Commissioner of the Social Security Administration (SSA) must “determine” that the beneficiary is disabled<sup>54</sup> for some portion of the year by the close of the taxable

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<sup>54</sup> As defined under 42 U.S.C. §1382c(a)(3).

year.<sup>55</sup> In other words, there must be an actual determination from SSA that the beneficiary is disabled. This may require the beneficiary to receive SSI or SSDI benefits which can be a potential problem for a beneficiary that is disabled but is ineligible to receive benefits due to work or other financial issues such as parental deeming.

4. A narrow reading of §642(b)(2)(C) would exclude all third party SNTs from qualifying as a QDT. Section 1917 of the Social Security Act references 42 U.S.C. §1396p "Liens, adjustments and recoveries, and transfers of assets." Subsection (c)(2)(B)(iv) states there is no penalty for a transfer of assets if those assets: (iv) were transferred to a trust **(including a trust described in subsection (d)(4)(a) of this section)** established solely for the benefit of an individual under 65 years of age who is disabled (as defined in § 1382c (a)(3) of this title). For a third party SNT to receive the QDT exemption,(c)(2)(B)(iv) must be read to include all special needs trusts, not just trusts described under (d)(4)(A). A more reasonable interpretation of §642(b)(2)(C) would include a third party SNT as a QDT provided the special needs beneficiary is receiving SSI or SSDI benefits and the trust was funded prior the beneficiary's turning 65. There are no reported cases or rulings on this point.

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<sup>55</sup> It would not appear that a determination of disability from a State Medicaid office would be sufficient to satisfy the statutory QDT requirement that SSA make a "disability" determination. See SSI POMS SI 01150.121 for a provision that allows SSA to determine the disability of an individual even though the applicant is not eligible for SSI or SSDI.

**VI. CASE COMPARISON OF A COMPLEX TRUST, A GRANTOR TRUST AND A COMPLEX TRUST THAT QUALIFIES AS A QUALIFIED DISABILITY TRUST.**

**A. EXAMPLE (1):**

In 2013, the taxable income of a first party SNT is \$25,000. Beneficiary A is the sole beneficiary of the trust and has no other personal income or deductions. The trust has fiduciary fees and legal costs of \$5,000.<sup>56</sup> The Trust is a separate taxable entity and the beneficiary is not the owner of any portion of Trust under § 671. The trust is a complex trust and no distributions were made to or for the benefit of the beneficiary in 2013. The total tax liability for the Trust is as follows:

**Taxable Income for Trust**

Taxable Income	\$25,000.00	
Deductions	<u>\$ 5,000.00</u>	
Gross Income	\$20,000.00	
Less Exemption	\$ 100.00	
2013 Trust Tax Liability		<b>\$6.238.20</b>
2013 Beneficiary Tax Liability		0.00

**B. EXAMPLE (2):**

Same facts as Example (1), except that under § 671, the beneficiary is treated as the owner of Trust for federal income tax purposes. As a result, all the income is attributable to Beneficiary A even though no distributions were made from the trust. The beneficiary may not claim the \$300 exemption

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<sup>56</sup> Trustee and legal expenses to the trust are not subject to 2% floor under §67.

available to trusts because that deduction is not attributable to the trust assets. The trustee and legal fees will be "miscellaneous itemized deductions" to the beneficiary. Miscellaneous itemized deductions are subject to a two percent floor imposed on individual taxpayers<sup>57</sup>, and also replaced by the beneficiary's standard deduction if it is higher. In 2013, the standard deduction for a single person is \$3,900. Accordingly, the trust beneficiary cannot itemize his deductions for trustee and legal fees, and will pay tax on \$15,000.00 (\$25,000 minus \$6,100 standard deduction and \$3,900 personal exemption). The beneficiary's tax liability for 2013 is calculated as follows:

<b>Taxable Income for Beneficiary</b>	
Taxable Income	\$25,000.00
Deductions	0.00
Less Standard Deduction	\$ 6,100.00
Less Personal Exemption	<u>\$ 3,900.00</u>
Gross Income	\$15,000.00
Total Tax Liability for Beneficiary	<b>\$1,803.75</b>

The trust has no liability for federal income tax in 2013.

**C. EXAMPLE (3):**

Same facts as Example (1), except that the trust distributes \$16,000 to the beneficiary and the trust is not a grantor trust and qualifies as a QDT. If the trust qualifies as a QDT, it may deduct the \$5,000 in administrative charges, the \$16,000 distribution to the beneficiary, and claim an increased

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<sup>57</sup> (IRC §67).



QDT exemption in the amount of \$3,900. Then beneficiary must include in income the \$16,000 distribution. The beneficiary will then apply against the trust distribution his own \$3,900 personal exemption and \$6,100 standard deduction.

**Taxable Income for Trust**

Taxable Income	\$25,000.00	
Deductions	\$ 5,000.00	
Distribution Deduction	\$16,000.00	
QDT Exemption	<u>\$ 3,900.00</u>	
Gross Income	\$100.00	
2013 Trust Tax Liability		\$ 15.00

**Taxable Income for Beneficiary**

Taxable Income	\$16,000.00	
Deductions	0.00	
Less Standard Deduction	\$ 6,100.00	
Less Personal Exemption	<u>\$ 3,900.00</u>	
Gross Income	\$6,000.00	
Total Tax Liability for Beneficiary		<u>\$600.00</u>

**Combined tax liability of Beneficiary A and Trust \$615.00**

When is a "nongrantor trust" going to be the better tax deal? It seems to depend on how much

the trust distributes and what it pays for. If the trust distributes all income each year, the trust is not going to pay any income tax whether or not it is a "grantor trust". However, if the trust accumulates income, the trust will pay income at a 39.6% rate for income over \$11,950.00 for 2013. On the other hand, if the trust qualifies as a QDT, and makes partial distributions for the benefit of the beneficiary, tax savings can be achieved by utilizing the increased QDT exemption for the trust and the standard deduction and personal exemption of the beneficiary.

Although the optimal choice depends on the specific factual circumstances, some circumstances seem more likely than others. Remember that a (d)(4)(A) trust must reimburse Medicaid with most or all of the trust estate after the beneficiary's death. Thus, in most situations, the trust should have no incentive to accumulate income. Small to moderate size trusts should have little problem in paying out all the income each year for the beneficiary's special needs.

## **VII. KIDDIE TAX**

The Tax Increase Prevention and Reconciliation Act of 2005, which was signed into law on May 17, 2006<sup>58</sup>, provides that the kiddie tax applies until a child reaches age eighteen. The kiddie tax, which taxes the child's net unearned income (over \$1,900 for 2013) at the parents' income tax rate, if the parent can claim the child as a dependent, previously applied only if the child was under age fourteen. Thus income earned on assets in an account for a child or in a trust for the child that is taxable to the child under the grantor trust rules will be subject to income tax at the parents' rate until the child attains age eighteen.<sup>59</sup> If, as is typical, the parents' income tax rate is higher than the child's

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<sup>58</sup> Pub. L. 109-222.

<sup>59</sup> Pub. L. 109-222, 510(a) and (d), increased the §1(g)(2)(A) age limit from 14 to 18.

income tax rate, income taxable to the beneficiary from a grantor trust may now incur higher than anticipated tax burdens prior to the beneficiary attaining eighteen.

An exception to the application of the kiddie tax was added for distributions from certain QDT as defined in § 642(b)(2)(C)(ii). Specifically, for purposes of the kiddie tax rules, any amount included in the income of such child under §652 and §662 during a taxable year shall be considered earned income of such child for such taxable year.<sup>60</sup> Section 652 references a trust where all the income is required to be distributed (a simple trust). Section 662 references a trust that may accumulate or distribute income (a complex trust). Section 652 and § 662 do not apply to a grantor trust.

To take it another step, is “unearned” income from the child’s own assets subject to the Kiddie tax? The Kiddie tax was designed to stop parents from shifting income to their children by transferring assets to the child and then having the income earned from the transferred asset taxed at the child’s rate. A first party SNT is funded with the child’s assets not the parent’s assets. As a result, there is no income tax motivation for the transaction. Nonetheless, the regulations state that the Kiddie tax is imposed on all “unearned” income regardless of its source. Reg. 1.1(i)-1T, provides as follows:

Will a child be subject to tax under section 1(i) on net unearned income that is attributable to gifts from persons other than the child's parents or attributable to assets resulting from the child's earned income?

**A-8.** Yes. The tax imposed by section 1(i) applies to all net unearned income of the child, regardless of the source of the assets that produced such income. Thus, the rules of section 1(i) apply to income attributable to gifts not only from the parents but also

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<sup>60</sup> I.R.C. § 1(g).

from any other source, such as the child's grandparents. Section 1(i) also applies to unearned income derived with respect to assets resulting from earned income of the child, such as interest earned on bank deposits.

The regulation seems ambiguous. The question portion of the regulation asks about “gifts from persons other than the child’s parents or attributable to assets created from the child’s “earned” income.” But the first sentence of the answer states that the kiddie tax applies to all net unearned income of the child “regardless of the source of the assets that produced such income.” Based upon the statute and regulations, “unearned” income from a first party SNT grantor trust that is allocated to a child under the age of eighteen is subject to the Kiddie tax. This means the tax is computed at the parent’s rate and not the child’s rate if the income is derived from a grantor trust. If the income is derived from a simple under § 652 or complex trust under § 662, the QDT exception of §642(b)(2)(C)(ii) applies and the income is taxed at the child’s rate and not to at the parent’s rate.<sup>61</sup>

## **VIII. TAX RETURN PROCEDURES**

If the grantor is deemed to own the entire trust, then all of the trust’s income, gain, loss, deduction, and credit items are reported on the grantor’s individual tax return.<sup>62</sup> The Trustee has three basic options for reporting income and expenses of a grantor trust to the Internal Revenue Service.

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<sup>61</sup> There does not seem to be any reason for applying the kiddie tax to income earned from a grantor SNT and not applying the kiddie tax to income earned from a SNT taxed as a complex trust.

<sup>62</sup> Reg. § 1.671-3(a)(1).

### **A. The 1041 Method**

First, the trust may file a regular Form 1041. This return would not report the trust's income items directly on the return but would instead disclose those income items on a separate statement attached to the Form 1041 and delivered to the grantor. For example, the trustee should write across the top of Form 1041, the following statement: "GRANTOR TRUST, ALL INCOME AND DEDUCTIONS ARE TAXABLE TO THE GRANTOR, SOCIAL SECURITY NO. XXX-XX-XXXX; INFORMATION RETURN ONLY".<sup>63</sup>

### **B. The W-9 Method**

Second, the grantor may submit a completed Form W-9 (Request for Taxpayer Identification Number and Certification) to the trustee, followed by the trustee providing to each payor to the trust the name and taxpayer identification number of the grantor.<sup>64</sup> If the grantor is not a trustee or co-trustee of the trust, the trustee(s) must also furnish the grantor with: (i) an annual statement listing items of income, gain, loss, deduction, and credit of the trust; (ii) the identity of each payor; (iii) enough information to allow the grantor to report all items properly; and (iv) a statement informing the grantor that items must be included on his or her individual return (collectively, the "required information").<sup>65</sup>

### **C. The 1099 Method**

Third, the trustee may provide all payors with the trust's taxpayer identification number and

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<sup>63</sup> Reg. § 1.671-4(a), (b).

<sup>64</sup> Reg. § 1.671-4(b)(2)(i)(A).

<sup>65</sup> Reg. § 1.671-4(b)(2)(ii).

then file Forms 1099 for all income items, listing the trust as payor and the grantor as payee.<sup>66</sup> As with the second option, the trustee(s) must furnish the grantor with the required information if the grantor is not a trustee.<sup>67</sup>

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<sup>66</sup> Reg. §§ 1.671-4(b)(2)(i)(B); 1.671-4(b)(2)(iii)(A).

<sup>67</sup> Reg. § 1.671-4(b)(2)(iii)(B).

Information about Form 1041 and its separate instructions is at [www.irs.gov/form1041](http://www.irs.gov/form1041).

<b>A</b> Check all that apply:		For calendar year 2013 or fiscal year beginning _____, 2013 and ending _____	
<input type="checkbox"/> Decedent's estate	Name of estate or trust (If a grantor type trust, see the instructions.)		<b>C</b> Employer identification number
<input type="checkbox"/> Simple trust	Sally Client Special Needs Trust		20-8888888
<input checked="" type="checkbox"/> Complex trust			<b>D</b> Date entity created
<input checked="" type="checkbox"/> Qualified disability trust	Name and title of fiduciary	<b>E</b> Nonexempt charitable and split-interest trusts, check applicable box(es), see instr:	
<input type="checkbox"/> ESBT (S portion only)	Mega Bank		
<input type="checkbox"/> Grantor type trust	Number, street, and room or suite number (If a P.O. box, see the instructions.)		
<input type="checkbox"/> Bankruptcy estate — Chapter 7	5000 Corporate Way		
<input type="checkbox"/> Bankruptcy estate — Chapter 11	City or town, state or province, country, and ZIP or foreign postal code	<input type="checkbox"/> Described in section 4947(a)(1). Check here if not a private foundation . . . ▶ <input type="checkbox"/>	
<input type="checkbox"/> Pooled income fund	Denver CO 80111	<input type="checkbox"/> Described in section 4947(a)(2)	
<b>B</b> Number of Schs K-1 attached (see instructions) ▶ 1	<b>F</b> Check applicable boxes:	<input checked="" type="checkbox"/> Initial return	<input type="checkbox"/> Final return
	<input type="checkbox"/> Change in trust's name	<input type="checkbox"/> Change in fiduciary	<input type="checkbox"/> Amended return
		<input type="checkbox"/> Change in fiduciary's name	<input type="checkbox"/> Net operating loss carryback
			<input type="checkbox"/> Change in fiduciary's address

**G** Check here if the estate or filing trust made a section 645 election . . . . ▶  Trust EIN ▶ \_\_\_\_\_

<b>Income</b>	<b>1</b> Interest income . . . . .	<b>1</b>	4,500.
	<b>2a</b> Total ordinary dividends . . . . .	<b>2a</b>	10,000.
	<b>b</b> Qualified dividends allocable to: (1) Beneficiaries _____ 8,000. (2) Estate or trust _____ 0.		
	<b>3</b> Business income or (loss). Attach Schedule C or C-EZ (Form 1040) . . . . .	<b>3</b>	
	<b>4</b> Capital gain or (loss). Attach Schedule D (Form 1041) . . . . .	<b>4</b>	10,000.
	<b>5</b> Rents, royalties, partnerships, other estates and trusts, etc. Attach Schedule E (Form 1040) . . . . .	<b>5</b>	
	<b>6</b> Farm income or (loss). Attach Schedule F (Form 1040) . . . . .	<b>6</b>	
	<b>7</b> Ordinary gain or (loss). Attach Form 4797 . . . . .	<b>7</b>	
	<b>8</b> Other income. List type and amount . . . . .	<b>8</b>	
<b>9</b> Total income. Combine lines 1, 2a, and 3 through 8 . . . . . ▶	<b>9</b>	24,500.	
<b>Deductions</b>	<b>10</b> Interest. Check if Form 4952 is attached ▶ <input type="checkbox"/> . . . . .	<b>10</b>	
	<b>11</b> Taxes . . . . .	<b>11</b>	
	<b>12</b> Fiduciary fees . . . . .	<b>12</b>	4,834.
	<b>13</b> Charitable deduction (from Schedule A, line 7) . . . . .	<b>13</b>	
	<b>14</b> Attorney, accountant, and return preparer fees . . . . .	<b>14</b>	4,834.
	<b>15a</b> Other deductions not subject to the 2% floor (attach schedule) . . . . .	<b>15a</b>	
	<b>b</b> Net operating loss deduction (see instructions) . . . . .	<b>15b</b>	
	<b>c</b> Allowable miscellaneous itemized deductions subject to the 2% floor . . . . .	<b>15c</b>	
	<b>16</b> Add lines 10 through 15c . . . . . ▶	<b>16</b>	9,668.
	<b>17</b> Adjusted total income or (loss). Subtract line 16 from line 9 . . . . .	<b>17</b>	14,832.
	<b>18</b> Income distribution deduction (from Schedule B, line 15). Attach Schedules K-1 (Form 1041) . . . . .	<b>18</b>	4,832.
<b>19</b> Estate tax deduction including certain generation-skipping taxes (attach computation) . . . . .	<b>19</b>		
<b>20</b> Exemption . . . . .	<b>20</b>	3,900.	
<b>21</b> Add lines 18 through 20 . . . . . ▶	<b>21</b>	8,732.	
<b>Tax and Payments</b>	<b>22</b> Taxable income. Subtract line 21 from line 17. If a loss, see instructions . . . . .	<b>22</b>	6,100.
	<b>23</b> Total tax (from Schedule G, line 7) . . . . .	<b>23</b>	548.
	<b>24</b> Payments: a 2013 estimated tax payments and amount applied from 2012 return . . . . .	<b>24a</b>	
	<b>b</b> Estimated tax payments allocated to beneficiaries (from Form 1041-T) . . . . .	<b>24b</b>	
	<b>c</b> Subtract line 24b from line 24a . . . . .	<b>24c</b>	
	<b>d</b> Tax paid with Form 7004 (see instructions) . . . . .	<b>24d</b>	
	<b>e</b> Federal income tax withheld. If any is from Form(s) 1099, check ▶ <input type="checkbox"/> . . . . .	<b>24e</b>	
	Other payments: <b>f</b> Form 2439 ; <b>g</b> Form 4136 ; Total . . . . . ▶	<b>24h</b>	
	<b>25</b> Total payments. Add lines 24c through 24e, and 24h . . . . . ▶	<b>25</b>	
<b>26</b> Estimated tax penalty (see instructions) . . . . .	<b>26</b>		
<b>27</b> Tax due. If line 25 is smaller than the total of lines 23 and 26, enter amount owed . . . . .	<b>27</b>	548.	
<b>28</b> Overpayment. If line 25 is larger than the total of lines 23 and 26, enter amount overpaid . . . . .	<b>28</b>		
<b>29</b> Amount of line 28 to be: <b>a</b> Credited to 2014 estimated tax ▶ ; <b>b</b> Refunded . . . ▶	<b>29</b>		

**Sign Here** Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of fiduciary or officer representing fiduciary	Date	EIN of fiduciary if a financial institution	May the IRS discuss this return with the preparer shown below (see instrs)? <input type="checkbox"/> Yes <input type="checkbox"/> No
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<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶ Self-Prepared	Firm's EIN ▶			
	Firm's address ▶	Phone no.			

**Schedule A Charitable Deduction.** Do not complete for a simple trust or a pooled income fund.

1	Amounts paid or permanently set aside for charitable purposes from gross income (see instructions)	1	
2	Tax-exempt income allocable to charitable contributions (see instructions)	2	
3	Subtract line 2 from line 1.	3	
4	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes.	4	
5	Add lines 3 and 4.	5	
6	Section 1202 exclusion allocable to capital gains paid or permanently set aside for charitable purposes (see instructions)	6	
7	<b>Charitable deduction.</b> Subtract line 6 from line 5. Enter here and on page 1, line 13.	7	

**Schedule B Income Distribution Deduction**

1	Adjusted total income (see instructions)	1	14,832.
2	Adjusted tax-exempt interest	2	168.
3	Total net gain from Schedule D (Form 1041), line 19, column (1) (see instructions)	3	
4	Enter amount from Schedule A, line 4 (minus any allocable section 1202 exclusion)	4	
5	Capital gains for the tax year included on Schedule A, line 1 (see instructions)	5	
6	Enter any gain from page 1, line 4, as a negative number. If page 1, line 4, is a loss, enter the loss as a positive number	6	-10,000.
7	<b>Distributable net income.</b> Combine lines 1 through 6. If zero or less, enter -0-	7	5,000.
8	If a complex trust, enter accounting income for the tax year as determined under the governing instrument and applicable local law	8	5,000.
9	Income required to be distributed currently	9	4,832.
10	Other amounts paid, credited, or otherwise required to be distributed	10	15,168.
11	Total distributions. Add lines 9 and 10. If greater than line 8, see instructions	11	20,000.
12	Enter the amount of tax-exempt income included on line 11	12	168.
13	Tentative income distribution deduction. Subtract line 12 from line 11	13	19,832.
14	Tentative income distribution deduction. Subtract line 2 from line 7. If zero or less, enter -0-	14	4,832.
15	<b>Income distribution deduction.</b> Enter the smaller of line 13 or line 14 here and on page 1, line 18.	15	4,832.

**Schedule C Tax Computation** (see instructions)

1	<b>Tax:</b> a Tax on taxable income (see instructions)	1 a	548.	
	b Tax on lump-sum distributions. Attach Form 4972	1 b		
	c Alternative minimum tax (from Schedule I (Form 1041), line 56)	1 c	0.	
	<b>d Total.</b> Add lines 1a through 1c.	1 d		548.
2 a	Foreign tax credit. Attach Form 1116	2 a		
	b General business credit. Attach Form 3800	2 b		
	c Credit for prior year minimum tax. Attach Form 8801	2 c		
	d Bond credits. Attach Form 8912	2 d		
	<b>e Total credits.</b> Add lines 2a through 2d	2 e		
3	Subtract line 2e from line 1d. If zero or less, enter -0-	3		548.
4	Net investment income tax from Form 8960, line 21	4		0.
5	Recapture taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611	5		
6	Household employment taxes. Attach Schedule H (Form 1040)	6		
7	<b>Total tax.</b> Add lines 3 through 6. Enter here and on page 1, line 23	7		548.

**Other Information**

	Yes	No
1 Did the estate or trust receive tax-exempt income? If 'Yes,' attach a computation of the allocation of expenses Enter the amount of tax-exempt interest income and exempt-interest dividends . . . ▶ \$ <u>500.</u>	X	
2 Did the estate or trust receive all or any part of the earnings (salary, wages, and other compensation) of any individual by reason of a contract assignment or similar arrangement?		X
3 At any time during the calendar year 2013, did the estate or trust have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country? See the instructions for exceptions and filing requirements for FinCEN Form 114. If 'Yes,' enter the name of the foreign country ▶		X
4 During the tax year, did the estate or trust receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If 'Yes,' the estate or trust may have to file Form 3520. See instructions		X
5 Did the estate or trust receive, or pay, any qualified residence interest on seller-provided financing? If 'Yes,' see the instructions for required attachment		X
6 If this is an estate or a complex trust making the section 663(b) election, check here (see instructions) ▶ <input type="checkbox"/>		
7 To make a section 643(e)(3) election, attach Schedule D (Form 1041), and check here (see instructions) ▶ <input type="checkbox"/>		
8 If the decedent's estate has been open for more than 2 years, attach an explanation for the delay in closing the estate, and check here ▶ <input type="checkbox"/>		
9 Are any present or future trust beneficiaries skip persons? See instructions		X



**SCHEDULE D**  
**(Form 1041)**

**Capital Gains and Losses**

OMB No. 1545-0092

**2013**

Department of the Treasury  
Internal Revenue Service

▶ Attach to Form 1041, Form 5227, or Form 990-T.  
▶ Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9 and 10.  
▶ Information about Schedule D and its separate instructions is at [www.irs.gov/form1041](http://www.irs.gov/form1041).

Name of estate or trust

Sally Client Special Needs Trust

Employer identification number

20-8888888

Note: Form 5227 filers need to complete only Parts I and II.

**Part I Short-Term Capital Gains and Losses – Assets Held One Year or Less**

See instructions for how to figure the amounts to enter on the lines below. The form may be easier to complete if you round off cents to whole dollars.	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, col. (g)	(h) Gain or (loss) Subtract col. (e) from col. (d) & combine the result with col. (g)
1a Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b . . . . .				
1b Totals for all transactions reported on Form(s) 8949 with <b>Box A</b> checked . . . . .				
2 Totals for all transactions reported on Form(s) 8949 with <b>Box B</b> checked . . . . .				
3 Totals for all transactions reported on Form(s) 8949 with <b>Box C</b> checked . . . . .				
4 Short-term capital gain or (loss) from Forms 4684, 6252, 6781, and 8824 . . . . .			4	
5 Net short-term gain or (loss) from partnerships, S corporations, and other estates or trusts . . . . .			5	
6 Short-term capital loss carryover. Enter the amount, if any, from line 9 of the 2012 Capital Loss Carryover Worksheet . . . . .			6	
7 <b>Net short-term gain or (loss).</b> Combine lines 1a through 6 in column (h). Enter here and on line 17, column (3) on page 2 . . . . . ▶			7	

**Part II Long-Term Capital Gains and Losses – Assets Held More Than One Year**

See instructions for how to figure the amounts to enter on the lines below. The form may be easier to complete if you round off cents to whole dollars.	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, col. (g)	(h) Gain or (loss) Subtract col. (e) from col. (d) & combine the result with col. (g)
8a Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b . . . . .				
8b Totals for all transactions reported on Form(s) 8949 with <b>Box D</b> checked . . . . .				
9 Totals for all transactions reported on Form(s) 8949 with <b>Box E</b> checked . . . . .				
10 Totals for all transactions reported on Form(s) 8949 with <b>Box F</b> checked . . . . .				
11 Long-term capital gain or (loss) from Forms 2439, 4684, 6252, 6781, and 8824 . . . . .			11	
12 Net long-term gain or (loss) from partnerships, S corporations, and other estates or trusts . . . . .			12	
13 Capital gain distributions . . . . .			13	10,000.
14 Gain from Form 4797, Part I . . . . .			14	
15 Long-term capital loss carryover. Enter the amount, if any, from line 14 of the 2012 Capital Loss Carryover Worksheet . . . . .			15	
16 <b>Net long-term gain or (loss).</b> Combine lines 8a through 15 in column (f). Enter here and on line 18a, column (3) on page 2 . . . . . ▶			16	10,000.

<b>Part III Summary of Parts I and II</b> Caution: Read the instructions before completing this part.		(1) Beneficiaries' (see instructions)	(2) Estate's or trust's	(3) Total
17	Net short-term gain or (loss)	17		
18	Net long-term gain or (loss):			
a	Total for year	18a	10,000.	10,000.
b	Unrecaptured section 1250 gain (see line 18 of the worksheet)	18b		
c	28% rate gain	18c		
19	Total net gain or (loss). Combine lines 17 and 18a	19	10,000.	10,000.

Note: If line 19, column (3), is a net gain, enter the gain on Form 1041, line 4 (or Form 990-T, Part I, line 4a). If lines 18a and 19, column (2), are net gains, go to Part V, and do not complete Part IV. If line 19, column (3), is a net loss, complete Part IV and the Capital Loss Carryover Worksheet, as necessary.

<b>Part IV Capital Loss Limitation</b>		
20	Enter here and enter as a (loss) on Form 1041, line 4 (or Form 990-T, Part I, line 4c, if a trust), the smaller of:	20
a	The loss on line 19, column (3)	
b	\$3,000	

Note: If the loss on line 19, column (3), is more than \$3,000, or if Form 1041, page 1, line 22 (or Form 990-T, line 34), is a loss, complete the Capital Loss Carryover Worksheet in the instructions to figure your capital loss carryover.

**Part V Tax Computation Using Maximum Capital Gains Rates**

Form 1041 filers. Complete this part only if both lines 18a and 19 in column (2) are gains, or an amount is entered in Part I or Part II and there is an entry on Form 1041, line 2b(2), and Form 1041, line 22, is more than zero.

Caution: Skip this part and complete the Schedule D Tax Worksheet in the instructions if:

- Either line 18b, column (2) or line 18c, column (2) is more than zero, or
- Both Form 1041, line 2b(1), and Form 4952, line 4g are more than zero.

Form 990-T trusts. Complete this part only if both lines 18a and 19 are gains, or qualified dividends are included in income in Part I of Form 990-T, and Form 990-T, line 34 is more than zero. Skip this part and complete the Schedule D Tax Worksheet in the instructions if either line 18b, column (2) or line 18c, column (2) is more than zero.

21	Enter taxable income from Form 1041, line 22 (or Form 990-T, line 34)	21	6,100.	
22	Enter the smaller of line 18a or 19 in column (2) but not less than zero	22	10,000.	
23	Enter the estate's or trust's qualified dividends from Form 1041, line 2b(2) (or enter the qualified dividends included in income in Part I of Form 990-T)	23	0.	
24	Add lines 22 and 23	24	10,000.	
25	If the estate or trust is filing Form 4952, enter the amount from line 4g; otherwise, enter -0-	25	0.	
26	Subtract line 25 from line 24. If zero or less, enter -0-	26	10,000.	
27	Subtract line 26 from line 21. If zero or less, enter -0-	27	0.	
28	Enter the smaller of the amount on line 21 or \$2,450	28	2,450.	
29	Enter the smaller of the amount on line 27 or line 28	29	0.	
30	Subtract line 29 from line 28. If zero or less, enter -0-. This amount is taxed at 0%	30		2,450.
31	Enter the smaller of line 21 or 26	31	6,100.	
32	Subtract line 30 from line 26	32	7,550.	
33	Enter the smaller of line 21 or \$11,950	33	6,100.	
34	Add lines 27 and 30	34	2,450.	
35	Subtract line 34 from line 33. If zero or less, enter -0-	35	3,650.	
36	Enter the smaller of line 32 or line 35	36	3,650.	
37	Multiply line 36 by 15%	37		548.
38	Enter the amount from line 31	38	6,100.	
39	Add lines 30 and 36	39	6,100.	
40	Subtract line 39 from line 38. If zero or less, enter -0-	40	0.	
41	Multiply line 40 by 20%	41		0.
42	Figure the tax on the amount on line 27. Use the 2013 Tax Rate Schedule for Estates and Trusts (see the Schedule G instructions in the instructions for Form 1041)	42	0.	
43	Add lines 37, 41 and 42	43	548.	
44	Figure the tax on the amount on line 21. Use the 2013 Tax Rate Schedule for Estates and Trusts (see the Schedule G instructions in the instructions for Form 1041)	44	1,292.	
45	Tax on all taxable income. Enter the smaller of line 43 or line 44 here and on Form 1041, Schedule G, line 1a (or Form 990-T, line 36)	45		548.

**SCHEDULE I  
(Form 1041)**

**Alternative Minimum Tax – Estates and Trusts**

OMB No. 1545-0092

**2013**

▶ Attach to Form 1041.

▶ Information about Schedule I (Form 1041) and its separate instructions is at [www.irs.gov/form1041](http://www.irs.gov/form1041).

Department of the Treasury  
Internal Revenue Service

Name of estate or trust <b>Sally Client Special Needs Trust</b>	Employer identification number <b>20-8888888</b>
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**Part I Estate's or Trust's Share of Alternative Minimum Taxable Income**

1	Adjusted total income or (loss) (from Form 1041, line 17)	1	14,832.
2	Interest	2	
3	Taxes	3	
4	Miscellaneous itemized deductions (from Form 1041, line 15c)	4	
5	Refund of taxes	5	
6	Depletion (difference between regular tax and AMT)	6	
7	Net operating loss deduction. Enter as a positive amount	7	
8	Interest from specified private activity bonds exempt from the regular tax	8	
9	Qualified small business stock (see instructions)	9	
10	Exercise of incentive stock options (excess of AMT income over regular tax income)	10	
11	Other estates and trusts (amount from Schedule K-1 (Form 1041), box 12, code A)	11	
12	Electing large partnerships (amount from Schedule K-1 (Form 1065-B), box 6)	12	
13	Disposition of property (difference between AMT and regular tax gain or loss)	13	
14	Depreciation on assets placed in service after 1986 (difference between regular tax and AMT)	14	
15	Passive activities (difference between AMT and regular tax income or loss)	15	
16	Loss limitations (difference between AMT and regular tax income or loss)	16	
17	Circulation costs (difference between regular tax and AMT)	17	
18	Long-term contracts (difference between AMT and regular tax income)	18	
19	Mining costs (difference between regular tax and AMT)	19	
20	Research and experimental costs (difference between regular tax and AMT)	20	
21	Income from certain installment sales before January 1, 1987	21	
22	Intangible drilling costs preference	22	
23	Other adjustments, including income-based related adjustments	23	
24	Alternative tax net operating loss deduction (See the instructions for the limitation that applies.)	24	
25	Adjusted alternative minimum taxable income. Combine lines 1 through 24	25	14,832.
<b>Note: Complete Part II below before going to line 26.</b>			
26	Income distribution deduction from Part II, line 44	26	4,832.
27	Estate tax deduction (from Form 1041, line 19)	27	
28	Add lines 26 and 27	28	4,832.
29	Estate's or trust's share of alternative minimum taxable income. Subtract line 28 from line 25	29	10,000.

If line 29 is:

- \$23,100 or less, stop here and enter -0- on Form 1041, Schedule G, line 1c. The estate or trust is not liable for the alternative minimum tax.
- Over \$23,100, but less than \$169,350, go to line 45.
- \$169,350 or more, enter the amount from line 29 on line 51 and go to line 52.

**Part II Income Distribution Deduction on a Minimum Tax Basis**

30	Adjusted alternative minimum taxable income (see instructions)	30	14,832.
31	Adjusted tax-exempt interest (other than amounts included on line 8)	31	168.
32	Total net gain from Schedule D (Form 1041), line 19, column (1). If a loss, enter -0-	32	
33	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes (from Form 1041, Schedule A, line 4)	33	
34	Capital gains paid or permanently set aside for charitable purposes from gross income (see instructions)	34	
35	Capital gains computed on a minimum tax basis included on line 25	35	-10,000.
36	Capital losses computed on a minimum tax basis included on line 25. Enter as a positive amount	36	
37	Distributable net alternative minimum taxable income (DNAMTI). Combine lines 30 through 36. If zero or less, enter -0-	37	5,000.
38	Income required to be distributed currently (from Form 1041, Schedule B, line 9)	38	4,832.
39	Other amounts paid, credited, or otherwise required to be distributed (from Form 1041, Schedule B, line 10)	39	15,168.
40	Total distributions. Add lines 38 and 39	40	20,000.
41	Tax-exempt income included on line 40 (other than amounts included on line 8)	41	168.
42	Tentative income distribution deduction on a minimum tax basis. Subtract line 41 from line 40	42	19,832.

**BAA For Paperwork Reduction Act Notice, see the Instructions for Form 1041.**

Schedule I (Form 1041) (2013)

**Part II Income Distribution Deduction on a Minimum Tax Basis (continued)**

43	Tentative income distribution deduction on a minimum tax basis. Subtract line 31 from line 37. If zero or less, enter -0- . . . . .	43	4,832.
44	Income distribution deduction on a minimum tax basis. Enter the smaller of line 42 or line 43. Enter here and on line 26 . . . . .	44	4,832.

**Part III Alternative Minimum Tax**

45	Exemption amount . . . . .	45	\$23,100.
46	Enter the amount from line 29 . . . . .	46	
47	Phase-out of exemption amount . . . . .	47	\$76,950.
48	Subtract line 47 from line 46. If zero or less, enter -0- . . . . .	48	
49	Multiply line 48 by 25% (.25) . . . . .	49	
50	Subtract line 49 from line 45. If zero or less, enter -0- . . . . .	50	
51	Subtract line 50 from line 46 . . . . .	51	
52	Go to Part IV of Schedule I to figure line 52 if the estate or trust has qualified dividends or has a gain on lines 18a and 19 of column (2) of Schedule D (Form 1041) (as figured for the AMT, if necessary). Otherwise, if line 51 is — • \$179,500 or less, multiply line 51 by 26% (.26). • Over \$179,500, multiply line 51 by 28% (.28) and subtract \$3,590 from the result . . . . .	52	
53	Alternative minimum foreign tax credit (see instructions) . . . . .	53	
54	Tentative minimum tax. Subtract line 53 from line 52 . . . . .	54	
55	Enter the tax from Form 1041, Schedule G, line 1a (minus any foreign tax credit from Schedule G, line 2a) . . . . .	55	
56	Alternative minimum tax. Subtract line 55 from line 54. If zero or less, enter -0-. Enter here and on Form 1041, Schedule G, line 1c. . . . .	56	

**Part IV Line 52 Computation Using Maximum Capital Gains Rates**

**Caution:** If you did not complete Part V of Schedule D (Form 1041), the Schedule D Tax Worksheet, or the Qualified Dividends Tax Worksheet in the Instructions for Form 1041, see the instructions before completing this part.

57	Enter the amount from line 51 . . . . .	57	
58	Enter the amount from Schedule D (Form 1041), line 26, line 13 of the Schedule D Tax Worksheet, or line 4 of the Qualified Dividends Tax Worksheet in the Instructions for Form 1041, whichever applies (as figured for the AMT, if necessary) . . . . .	58	
59	Enter the amount from Schedule D (Form 1041), line 18b, column (2) (as figured for the AMT, if necessary). If you did not complete Schedule D for the regular tax or the AMT, enter -0- . . . . .	59	
60	If you did not complete a Schedule D Tax Worksheet for the regular tax or the AMT, enter the amount from line 58. Otherwise, add lines 58 and 59 and enter the <b>smaller</b> of that result or the amount from line 10 of the Schedule D Tax Worksheet (as figured for the AMT, if necessary) . . . . .	60	
61	Enter the <b>smaller</b> of line 57 or line 60. . . . .	61	
62	Subtract line 61 from line 57 . . . . .	62	
63	If line 62 is \$179,500 or less, multiply line 62 by 26% (.26). Otherwise, multiply line 62 by 28% (.28) and subtract \$3,590 from the result . . . . .	63	
64	Maximum amount subject to the 0% rate . . . . .	64	\$2,450.
65	Enter the amount from line 27 of Schedule D (Form 1041), line 14 of the Schedule D Tax Worksheet, or line 5 of the Qualified Dividends Tax Worksheet in the Instructions for Form 1041, whichever applies (as figured for the regular tax). If you did not complete Schedule D or either worksheet for the regular tax, enter the amount from Form 1041, line 22; but do not enter less than -0- . . . . .	65	
66	Subtract line 65 from line 64. If zero or less, enter -0- . . . . .	66	
67	Enter the <b>smaller</b> of line 57 or line 58. . . . .	67	
68	Enter the <b>smaller</b> of line 66 or line 67. This amount is taxed at 0% . . . . .	68	
69	Subtract line 68 from line 67 . . . . .	69	

**Part IV Line 52 Computation Using Maximum Capital Gains Rates (continued)**

70	Enter the amount from Line 70 Worksheet in the instructions . . . . .	70		
71	Enter the <b>smaller</b> of line 69 or 70 . . . . .	71		
72	Multiply line 71 by 15% (.15) . . . . .			72
73	Add lines 68 and 71 . . . . .	73		
<b>If lines 73 and 57 are the same, skip lines 74 through 78 and go to line 79. Otherwise, go to line 74.</b>				
74	Subtract line 73 from line 67 . . . . .	74		
75	Multiply line 74 by 20% (.20) . . . . .			75
<b>If line 59 is zero or blank, skip lines 76 through 78 and go to line 79. Otherwise, go to line 76.</b>				
76	Add lines 62, 73, and 74 . . . . .	76		
77	Subtract line 76 from line 57 . . . . .	77		
78	Multiply line 77 by 25% (.25) . . . . .			78
79	Add lines 63, 72, 75, and 78 . . . . .			79
80	If line 57 is \$179,500 or less, multiply line 57 by 26% (.26). Otherwise, multiply line 57 by 28% (.28) and subtract \$3,590 from the result . . . . .			80
81	Enter the <b>smaller</b> of line 79 or line 80 here and on line 52 . . . . .			81

<b>Deduction Allocation Smart Worksheet</b>				
	(a) Amounts totally allocable to taxable income	(b) Amounts totally allocable to tax-exempt income	(c) Amounts to be allocated between tax-exempt and taxable income	Total
<b>10</b> Interest . . . . .				
<b>a</b> Form 4952 . . . . .				
<b>11</b> Taxes . . . . .				
<b>a</b> Taxes from K-1s . . . . .				
<b>12</b> Fiduciary fees . . . . .			5,000.	5,000.
<b>14</b> Attorney, account- ant, return pre- parer fees . . . . .			5,000.	5,000.
<b>15 a</b> Deductions <b>not</b> subject to 2% floor . . . . .				
<b>b</b> Deductions subject to 2% floor . . . . .				

<b>Trust Accounting Income Smart Worksheet and Depreciation and Amortization Allocation</b>	
<b>Allocation of Trust Accounting Income Between Beneficiaries and Estate/Trust</b>	
<b>A</b> Tentative trust accounting income . . . . .	5,000.
<b>Adjustments to Trust Accounting Income</b>	
_____	_____
_____	_____
_____	_____
_____	_____
<b>B</b> Total adjustments to trust accounting income . . . . .	_____
<b>C</b> Final trust accounting income (A + B) . . . . .	5,000.
Beneficiaries' percent of trust accounting income . . . . .	100.00000
Estate's or trust's percent of trust accounting income . . . . .	0.00000

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

**2013**

Name Sally Client Special Needs Trust	Employer Identification Number 20-8888888
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1041 Line #	Type of Income	(a) Total	(b) Tax-exempt Income	(c) Taxable Income
1	Interest income . . . . .	5,000.	500.	4,500.
2	Dividends . . . . .	10,000.		10,000.
3	Gross income from Schedule C . . . . .			
4	Total net gain from Schedule D, line 19, col. (1) . . . . .			
5 a	Gross rents/royalties from Schedule E . . . . .			
5 b	Income/loss Sch E, pg 2, lines 32, 37 and 39 . . . . .			
6	Gross income from Schedule F			
7	Ordinary gain or loss . . . . .			
8	Direct Entry      From K-1s			
	Other income _____			
	Totals . . . . .	15,000.	500.	14,500.
		100.0000 %	3.3333 %	96.6667 %

1041 Line #	Type of Deduction	(a) Amounts totally allocable to taxable income	(b) Amounts totally allocable to tax exempt income	(c) Amts to be allocated between exempt and taxable income	(d) Amounts allocable to taxable income col (c) x 0.9667	(e) Deductible amounts (a + d)
10	Interest . . . . .					
10 a	Investment interest Form 4952 . . . . .					
11	Taxes . . . . .					
12	Fiduciary fees . . . . .			5,000.	4,834.	4,834.
14	Attorney, accountant, return preparation fees . . . . .			5,000.	4,834.	4,834.
15 a	Other deductions not subject to the 2% floor . . . . .					
15 b	Allowable miscellaneous itemized deductions subject to the 2% floor . . . . .					
	Totals . . . . .			10,000.	9,668.	9,668.

Total allocated amounts from column (c) not deductible . . . . . 332.

Schedule K-1  
(Form 1041)

Department of the Treasury  
Internal Revenue Service

2013

For calendar year 2013,  
or tax year beginning \_\_\_\_\_, 2013,  
and ending \_\_\_\_\_,

**Beneficiary's Share of Income, Deductions, Credits, etc.**  
▶ See Page 2 and separate instructions.

Final K-1  Amended K-1

661113

OMB No. 1545-0092

**Part I Information About the Estate or Trust**

A Estate's or trust's employer identification number

20-8888888

B Estate's or trust's name

Sally Client Special Needs Trust

C Fiduciary's name, address, city, state, and ZIP code

Mega Bank  
5000 Corporate Way  
Denver CO 80111

D  Check if Form 1041-T was filed and enter the date it was filed . . . . .

E  Check if this is the final Form 1041 for the estate or trust

**Part II Information About the Beneficiary**

F Beneficiary's identifying number

555-55-5555

G Beneficiary's name, address, city, state, and ZIP code

Sally Beneficiary  
1000 Destitute Way  
Denver CO 80111

**Part III Beneficiary's Share of Current Year Income, Deductions, Credits, and Other Items**

1	Interest income	11	Final year deductions
2 a	Ordinary dividends 4,832.		
2 b	Qualified dividends 4,832.		
3	Net short-term capital gain		
4 a	Net long-term capital gain		
4 b	28% rate gain	12	Alternative minimum tax adjustment
4 c	Unrecaptured section 1250 gain	A	0.
5	Other portfolio and nonbusiness income		
6	Ordinary business income		
7	Net rental real estate income		
8	Other rental income	13	Credits and credit recapture
9	Directly apportioned deductions		
		14	Other information
		A	168.
10	Estate tax deduction	E	4,832.
		H	24,500.

\*See attached statement for additional information.

**Note.** A statement must be attached showing the beneficiary's share of income and directly apportioned deductions from each business, rental real estate, and other rental activity.

F  
O  
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H  Domestic beneficiary  Foreign beneficiary



This list identifies the codes used on Schedule K-1 for beneficiaries and provides summarized reporting information for beneficiaries who file Form 1040. For detailed reporting and filing information, see the Instructions for Schedule K-1 (Form 1041) for a Beneficiary Filing Form 1040 and the instructions for your income tax return.

		<i>Report on</i>			<i>Report on</i>
<b>1</b>	<b>Interest income</b>	Form 1040, line 8a	<b>13</b>	<b>Credits and credit recapture</b>	
<b>2 a</b>	<b>Ordinary dividends</b>	Form 1040, line 9a		<i>Code</i>	
<b>2 b</b>	<b>Qualified dividends</b>	Form 1040, line 9b	<b>A</b>	Credit for estimated taxes	Form 1040, line 63
<b>3</b>	<b>Net short-term capital gain</b>	Schedule D, line 5	<b>B</b>	Credit for backup withholding	Form 1040, line 62
<b>4 a</b>	<b>Net long-term capital gain</b>	Schedule D, line 12	<b>C</b>	Low-income housing credit	See the beneficiary's instructions
<b>4 b</b>	<b>28% rate gain</b>	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)	<b>D</b>	Rehabilitation credit and energy credit	
<b>4 c</b>	<b>Unrecaptured section 1250 gain</b>	Unrecaptured Section 1250 Gain Worksheet, line 11 (Schedule D Instructions)	<b>E</b>	Other qualifying investment credit	
<b>5</b>	<b>Other portfolio and nonbusiness income</b>	Schedule E, line 33, column (f)	<b>F</b>	Work opportunity credit	
<b>6</b>	<b>Ordinary business income</b>	Schedule E, line 33, column (d) or (f)	<b>G</b>	Credit for small employer health insurance premiums	
<b>7</b>	<b>Net rental real estate income</b>	Schedule E, line 33, column (d) or (f)	<b>H</b>	Biofuel producer credit	
<b>8</b>	<b>Other rental income</b>	Schedule E, line 33, column (d) or (f)	<b>I</b>	Credit for increasing research activities	
<b>9</b>	<b>Directly apportioned deductions</b>		<b>J</b>	Renewable electricity, refined coal, and Indian coal production credit	
	<i>Code</i>		<b>K</b>	Empowerment zone and renewal community employment credit	
<b>A</b>	Depreciation	Form 8582 or Schedule E, line 33, column (c) or (e)	<b>L</b>	Indian employment credit	
<b>B</b>	Depletion	Form 8582 or Schedule E, line 33, column (c) or (e)	<b>M</b>	Orphan drug credit	
<b>C</b>	Amortization	Form 8582 or Schedule E, line 33, column (c) or (e)	<b>N</b>	Credit for employer-provided child care and facilities	
<b>10</b>	<b>Estate tax deduction</b>	Schedule A, line 28	<b>O</b>	Biodiesel and renewable diesel fuels credit	
<b>11</b>	<b>Final year deductions</b>		<b>P</b>	Nonconventional source fuel credit	
<b>A</b>	Excess deductions	Schedule A, line 23	<b>Q</b>	Credit to holders of tax credit bonds	
<b>B</b>	Short-term capital loss carryover	Schedule D, line 5	<b>R</b>	Agricultural chemicals security credit	
<b>C</b>	Long-term capital loss carryover	Schedule D, line 12; line 5 of the worksheet for Schedule D, line 18; and line 16 of the worksheet for Schedule D, line 19	<b>S</b>	Energy efficient appliance credit	
<b>D</b>	Net operating loss carryover — regular tax	Form 1040, line 21	<b>T</b>	Credit for employer differential wage payments	
<b>E</b>	Net operating loss carryover — minimum tax	Form 6251, line 11	<b>U</b>	Recapture of credits	
<b>12</b>	<b>Alternative minimum tax (AMT) items</b>		<b>14</b>	<b>Other information</b>	
<b>A</b>	Adjustment for minimum tax purposes	Form 6251, line 15	<b>A</b>	Tax-exempt interest	Form 1040, line 8b
<b>B</b>	AMT adjustment attributable to qualified dividends	See the beneficiary's instructions and the Instructions for Form 6251	<b>B</b>	Foreign taxes	Form 1040, line 47 or Schedule A, line 8
<b>C</b>	AMT adjustment attributable to net short-term capital gain		<b>C</b>	Qualified production activities income	Form 8903, line 7, column (b) (also see the beneficiary's instructions)
<b>D</b>	AMT adjustment attributable to net long-term capital gain		<b>D</b>	Form W-2 wages	Form 8903, line 17
<b>E</b>	AMT adjustment attributable to unrecaptured section 1250 gain		<b>E</b>	Net investment income	Form 4952, line 4a
<b>F</b>	AMT adjustment attributable to 28% rate gain		<b>F</b>	Gross farm and fishing income	Schedule E, line 42
<b>G</b>	Accelerated depreciation		<b>G</b>	Foreign trading gross receipts (IRC 942(a))	See the Instructions for Form 8873
<b>H</b>	Depletion		<b>H</b>	Adjustment for section 1411 net investment income or deductions	Form 8960, line 7 (also see the beneficiary's instructions)
<b>I</b>	Amortization		<b>I</b>	Other information	See the beneficiary's instructions
<b>J</b>	Exclusion items		2013 Form 8801		

**Note.** If you are a beneficiary who does not file a Form 1040, see instructions for the type of income tax return you are filing.

**Distributable Income for Schedule(s) K-1**

**2013**

Name <b>Sally Client Special Needs Trust</b>	Employer Identification No. <b>20-8888888</b>
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**Part I – Summary of Income Items**

<b>1</b> Interest (Form 1041, page 1, line 1) . . . . .		<b>1</b>	4,500.
<b>2</b> Dividends (Form 1041, page 1, line 2a) . . . . .		<b>2</b>	10,000.
<b>3</b> Net short-term capital gain (Schedule D, line 13a, column (1)) . . . . .		<b>3</b>	
<b>4</b> Net long-term capital gain (Schedule D, line 14a, column (1)) . . . . .		<b>4</b>	
<b>5</b> Non-passive income:			
<b>a</b> Schedule C, page 1, line 31 . . . . .	<b>5 a</b>		
<b>b</b> Schedule E, page 2, line 29, column (h) and (j) . . . . .	<b>b</b>		
<b>c</b> Schedule E, page 2, line 34, column (e) and (f) . . . . .	<b>c</b>		
<b>d</b> Schedule E, page 2, line 39 . . . . .	<b>d</b>		
<b>e</b> Schedule E, page 1, line 21 (royalties only) . . . . .	<b>e</b>		
<b>f</b> Schedule E, p1, ins 21 and 22 (rental real estate only) . . . . .	<b>f</b>		
<b>g</b> Schedule E Farm Wks, line 32 and 33c . . . . .	<b>g</b>		
<b>h</b> Schedule F, page 1, line 36 . . . . .	<b>h</b>		
<b>i</b> Other non-passive income . . . . .	<b>i</b>		
Total non-passive income . . . . .		<b>5</b>	
<b>6</b> Passive income:			
<b>a</b> Schedule C, page 1, line 31:	<b>6 a</b>		
<b>1</b> Trade or business only . . . . .			
<b>2</b> Other rental only . . . . .			
<b>b</b> Schedule E, p 1, ins 21 and 22 (rental real estate only) . . . . .	<b>b</b>		
<b>c</b> Schedule E, page 2, line 29, column (f) and (g):	<b>c</b>		
<b>1</b> Trade or business only . . . . .			
<b>2</b> Rental real estate only . . . . .			
<b>3</b> Other rental only . . . . .			
<b>d</b> Schedule E, page 2, line 34, column (c) and (d):	<b>d</b>		
<b>1</b> Trade or business . . . . .			
<b>2</b> Rental real estate . . . . .			
<b>3</b> Other rental only . . . . .			
<b>e</b> Schedule E Farm Wks, line 32 and 33c . . . . .	<b>e</b>		
<b>f</b> Schedule F, page 1, line 36 . . . . .	<b>f</b>		
<b>g</b> Other passive income . . . . .	<b>g</b>		
Total passive income . . . . .		<b>6</b>	

**Part II – Allocation of Deductions to Income**

Check to allocate deductions pro-rata to all classes <input type="checkbox"/>	(a) Interest	(b) Non-Qualified Dividends	(c) Qualified Dividends	(d) Total Capital Gains	(e) Non-passive Income	(f) Passive Income
<b>1</b> Income . . . . .	4,500.	2,000.	8,000.			
Less						
Deductions:						
<b>2</b> Interest . . . . .						
<b>3</b> Form 4952 interest . . . . .						
<b>4</b> Taxes . . . . .						
<b>5</b> Fiduciary fees . . . . .	3,347.	1,487.				
<b>6</b> Charitable deduction . . . . .						
<b>7</b> Professional fees . . . . .	3,347.	1,487.				
<b>8</b> Other deductions . . . . .						
<b>9</b> Allowable miscellaneous deductions . . . . .						
<b>10</b> Total deductions . . . . .	6,694.	2,974.				
<b>11</b> Subtotal . . . . .	-2,194.	-974.	8,000.			
<b>12</b> Reclassify excess deductions . . . . .	2,194.	974.				
<b>13</b> Allocate excess deductions . . . . .			3,168.			
<b>14</b> Total distributable . . . . .	0.	0.	4,832.			
<b>15</b> Amount distributed to beneficiary . . . . .	0.	0.	4,832.			

**Amounts to Allocate to Schedules K-1 Worksheet**  
Represents 100% of amounts to be allocated to the Schedules K-1

**2013**

Name of Trust or Decedent's Estate  
Sally Client Special Needs Trust


Employer Identification Number  
20-8888888

Allocable share item		Amount
<b>QuickZoom</b> here to go to the Schedules K-1 . . . . . ▶		
<b>1</b>	Interest income . . . . .	<b>1</b>
<b>2 a</b>	Total ordinary dividends . . . . .	<b>2</b> 4,832.
<b>b</b>	Qualified dividends . . . . .	4,832.
<b>3</b>	Net short-term capital gain . . . . .	<b>3</b>
<b>4 a</b>	Net long-term capital gain . . . . .	<b>4</b>
<b>b</b>	28% rate gain . . . . .	
<b>c</b>	Unrecaptured Section 1250 gain . . . . .	
<b>5</b>	Other portfolio and non-passive income (other than directly apportioned deductions) . . . . .	<b>5</b>
<b>A</b>	Depreciation apportioned to line 5 . . . . .	
<b>B</b>	Depletion apportioned to line 5 . . . . .	
<b>C</b>	Amortization apportioned to line 5 . . . . .	
<b>6</b>	Trade or business income (other than directly apportioned deductions) . . . . . <b>Check</b> if income and deductions by activity stmt . ▶ <input type="checkbox"/>	<b>6</b>
<b>A</b>	Depreciation apportioned to line 6 . . . . .	
<b>B</b>	Depletion apportioned to line 6 . . . . .	
<b>C</b>	Amortization apportioned to line 6 . . . . .	
<b>7</b>	Rental real estate income (other than directly apportioned deductions) . . . . . <b>Check</b> if income and deductions by activity stmt . ▶ <input type="checkbox"/>	<b>7</b>
<b>A</b>	Depreciation apportioned to line 7 . . . . .	
<b>B</b>	Depletion apportioned to line 7 . . . . .	
<b>C</b>	Amortization apportioned to line 7 . . . . .	
<b>8</b>	Other rental income (other than directly apportioned deductions) . . . . . <b>Check</b> if income and deductions by activity stmt . ▶ <input type="checkbox"/>	<b>8</b>
<b>A</b>	Depreciation apportioned to line 8 . . . . .	
<b>B</b>	Depletion apportioned to line 8 . . . . .	
<b>C</b>	Amortization apportioned to line 8 . . . . .	
<b>9</b>	Directly apportioned deductions (sum of lines 5A-C, 6A-C, 7A-C and 8A-C) . . . . .	<b>9</b>
<b>10</b>	Estate tax deduction . . . . .	<b>10</b>
<b>11</b>	<b>Final Year Deductions</b> . . . . .	<b>11</b>
<b>A</b>	Excess deductions on termination . . . . .	
<b>B</b>	Short-term capital loss carryover . . . . .	
<b>C</b>	Long-term capital loss carryover . . . . .	
<b>D</b>	Net operating loss (NOL) carryover for regular tax purposes . . . . .	
<b>E</b>	NOL carryover for minimum tax purposes . . . . .	
<b>12</b>	<b>Alternative Minimum Tax Items</b> . . . . .	<b>12</b>
<b>A</b>	Adjustment for minimum tax purposes . . . . .	0.
<b>B</b>	AMT adjustment attributable to qualified dividends . . . . .	
<b>C</b>	AMT adjustment attributable to net short-term capital gain . . . . .	
<b>D</b>	AMT adjustment attributable to net long-term capital gain . . . . .	
<b>E</b>	AMT adjustment attributable to unrecaptured section 1250 gain . . . . .	
<b>F</b>	AMT adjustment attributable to 28% rate gain . . . . .	
<b>G</b>	Accelerated depreciation . . . . .	
<b>H</b>	Depletion . . . . .	
<b>I</b>	Amortization . . . . .	
<b>J</b>	Exclusion items . . . . .	
<b>13</b>	<b>Credits and Credit Recapture</b> . . . . .	<b>13</b>
<b>A</b>	Credit for estimated taxes credited to beneficiaries . . . . .	
<b>B</b>	Credit for backup withholding . . . . .	
<b>14</b>	<b>Other Information</b> . . . . .	<b>14</b>
<b>A</b>	Tax-exempt interest . . . . .	168.
<b>B</b>	Foreign taxes . . . . . <b>Check</b> if attached foreign taxes statement . ▶ <input type="checkbox"/>	
<b>C</b>	Qualified production activities income . . . . .	
<b>D</b>	Qualified production activities W-2 wages . . . . .	
<b>E</b>	Net investment income . . . . .	4,832.
<b>F</b>	Gross farm and fishing income . . . . .	
<b>G</b>	Foreign trading gross receipts (IRC 942(a)) . . . . .	
<b>H</b>	Adjustment for section 1411 net investment income or deductions . . . . .	24,500.
<b>I</b>		
<b>I</b>		
<b>I</b>		

Schedule K-1 (Sally Beneficiary): Beneficiary's Share of Income, Deductions, Credits

Beneficiary's Address Smart Worksheet			
City . . . . .	Denver		
State . . . . .	CO	Zip Code . . . . .	80111
Foreign Province . . . . .		Foreign Postal Code . . . . .	
Foreign Country Code . . . . .		Foreign Country Name . . . . .	

Schedule K-1 (Sally Beneficiary): Beneficiary's Share of Income, Deductions, Credits

Beneficiary's Allocation Smart Worksheet	
<b>A</b> Enter this beneficiary's dollar amount of:	
1 Income required to be distributed currently (first tier) . . . . .	▶ <u>4,832.</u>
2 Other amounts paid, credited, or otherwise required to be distributed (second tier) . . . . .	▶ <u>15,168.</u>
<b>B</b> Or, enter this beneficiary's percentage of:	
1 Income distribution deduction for regular tax purposes . . . . .	▶ <u>100.000000</u>
2 Income distribution deduction for alternative minimum tax purposes . . . . .	▶ <u>100.000000</u>
<b>C</b> QuickZoom here to go to another copy of Schedule K-1 . . . . .	▶ 

For the year Jan. 1–Dec. 31, 2013, or other tax year beginning \_\_\_\_\_, 2013, ending \_\_\_\_\_, 20

Your first name and initial: Sally Last name: Beneficiary Your social security number: 555-55-5555

If a joint return, spouse's first name and initial: \_\_\_\_\_ Last name: \_\_\_\_\_ Spouse's social security number: \_\_\_\_\_

Home address (number and street). If you have a P.O. box, see instructions. 1000 Destitute Way Apt. no. \_\_\_\_\_

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). Denver CO 80111

Foreign country name: \_\_\_\_\_ Foreign province/state/county: \_\_\_\_\_ Foreign postal code: \_\_\_\_\_

See separate instructions.

▲ Make sure the SSN(s) above and on line 6c are correct.

**Presidential Election Campaign**  
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.  You  Spouse

**Filing Status**

1  Single

2  Married filing jointly (even if only one had income)

3  Married filing separately. Enter spouse's SSN above and full name here. ▶ \_\_\_\_\_

4  Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ \_\_\_\_\_

5  Qualifying widow(er) with dependent child

Check only one box.

**Exemptions**

6a  Yourself. If someone can claim you as a dependent, do not check box 6a . . . . .

b  Spouse . . . . .

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

d Total number of exemptions claimed . . . . . **1**

Boxes checked on 6a and 6b: **1**

No. of children on 6c who:  
• lived with you \_\_\_\_\_  
• did not live with you due to divorce or separation (see instructions) \_\_\_\_\_

Dependents on 6c not entered above \_\_\_\_\_

Add numbers on lines above ▶ **1**

**Income**

7	Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . .	7	
8a	Taxable interest. Attach Schedule B if required . . . . .	8a	
b	Tax-exempt interest. Do not include on line 8a . . . . .	8b	168.
9a	Ordinary dividends. Attach Schedule B if required . . . . .	9a	4,832.
b	Qualified dividends . . . . .	9b	4,832.
10	Taxable refunds, credits, or offsets of state and local income taxes . . . . .	10	
11	Alimony received . . . . .	11	
12	Business income or (loss). Attach Schedule C or C-EZ . . . . .	12	
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ <input type="checkbox"/>	13	
14	Other gains or (losses). Attach Form 4797 . . . . .	14	
15a	IRA distributions . . . . .	15a	
b	Taxable amount . . . . .	15b	
16a	Pensions and annuities . . . . .	16a	
b	Taxable amount . . . . .	16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E . . . . .	17	
18	Farm income or (loss). Attach Schedule F . . . . .	18	
19	Unemployment compensation . . . . .	19	
20a	Social security benefits . . . . .	20a	8,544.
b	Taxable amount . . . . .	20b	0.
21	Other income. List type and amount . . . . .	21	
22	Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶	22	4,832.

**Adjusted Gross Income**

23	Educator expenses . . . . .	23	
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ . . . . .	24	
25	Health savings account deduction. Attach Form 8889 . . . . .	25	
26	Moving expenses. Attach Form 3903 . . . . .	26	
27	Deductible part of self-employment tax. Attach Schedule SE . . . . .	27	
28	Self-employed SEP, SIMPLE, and qualified plans . . . . .	28	
29	Self-employed health insurance deduction . . . . .	29	
30	Penalty on early withdrawal of savings . . . . .	30	
31a	Alimony paid b Recipient's SSN ▶ _____	31a	
32	IRA deduction . . . . .	32	
33	Student loan interest deduction . . . . .	33	
34	Tuition and fees. Attach Form 8917 . . . . .	34	
35	Domestic production activities deduction. Attach Form 8903 . . . . .	35	
36	Add lines 23 through 35 . . . . .	36	
37	Subtract line 36 from line 22. This is your adjusted gross income ▶	37	4,832.

<b>Tax and Credits</b>	<b>38</b>	Amount from line 37 (adjusted gross income)	<b>38</b>	4,832.
	<b>39a</b>	Check <input type="checkbox"/> You were born before January 2, 1949, <input type="checkbox"/> Blind. <input type="checkbox"/> Spouse was born before January 2, 1949, <input type="checkbox"/> Blind. Total boxes checked ▶ <b>39a</b>		
	<b>b</b>	If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ <b>39b</b>		
<b>Standard Deduction for—</b>	<b>40</b>	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	<b>40</b>	6,100.
• People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions.	<b>41</b>	Subtract line 40 from line 38	<b>41</b>	-1,268.
• All others:	<b>42</b>	Exemptions. If line 38 is \$150,000 or less, multiply \$3,900 by the number on line 6d. Otherwise, see instructions	<b>42</b>	3,900.
Single or Married filing separately, \$6,100	<b>43</b>	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	<b>43</b>	0.
Married filing jointly or Qualifying widow(er), \$12,200	<b>44</b>	Tax (see instructions). Check if any from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/>	<b>44</b>	0.
Head of household, \$8,950	<b>45</b>	Alternative minimum tax (see instructions). Attach Form 6251	<b>45</b>	
	<b>46</b>	Add lines 44 and 45 ▶	<b>46</b>	0.
	<b>47</b>	Foreign tax credit. Attach Form 1116 if required	<b>47</b>	
	<b>48</b>	Credit for child and dependent care expenses. Attach Form 2441	<b>48</b>	
	<b>49</b>	Education credits from Form 8863, line 19	<b>49</b>	
	<b>50</b>	Retirement savings contributions credit. Attach Form 8880	<b>50</b>	
	<b>51</b>	Child tax credit. Attach Schedule 8812, if required	<b>51</b>	
	<b>52</b>	Residential energy credits. Attach Form 5695	<b>52</b>	
	<b>53</b>	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	<b>53</b>	
	<b>54</b>	Add lines 47 through 53. These are your total credits	<b>54</b>	
	<b>55</b>	Subtract line 54 from line 46. If line 54 is more than line 46, enter -0-	<b>55</b>	0.
<b>Other Taxes</b>	<b>56</b>	Self-employment tax. Attach Schedule SE	<b>56</b>	
	<b>57</b>	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	<b>57</b>	
	<b>58</b>	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	<b>58</b>	
	<b>59a</b>	Household employment taxes from Schedule H	<b>59a</b>	
	<b>b</b>	First-time homebuyer credit repayment. Attach Form 5405 if required	<b>59b</b>	
	<b>60</b>	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)	<b>60</b>	
	<b>61</b>	Add lines 55 through 60. This is your total tax ▶	<b>61</b>	0.
<b>Payments</b>	<b>62</b>	Federal income tax withheld from Forms W-2 and 1099	<b>62</b>	
	<b>63</b>	2013 estimated tax payments and amount applied from 2012 return	<b>63</b>	
	<b>64a</b>	Earned income credit (EIC) <input type="checkbox"/> No	<b>64a</b>	
	<b>b</b>	Nontaxable combat pay election <b>64b</b>		
	<b>65</b>	Additional child tax credit. Attach Schedule 8812	<b>65</b>	
	<b>66</b>	American opportunity credit from Form 8863, line 8	<b>66</b>	
	<b>67</b>	Reserved	<b>67</b>	
	<b>68</b>	Amount paid with request for extension to file	<b>68</b>	
	<b>69</b>	Excess social security and tier 1 RRTA tax withheld	<b>69</b>	
	<b>70</b>	Credit for federal tax on fuels. Attach Form 4136	<b>70</b>	
	<b>71</b>	Credits from Form: a <input type="checkbox"/> 2439 b <input checked="" type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/>	<b>71</b>	
	<b>72</b>	Add lines 62, 63, 64a, and 65 through 71. These are your total payments ▶	<b>72</b>	
<b>Refund</b>	<b>73</b>	If line 72 is more than line 61, subtract line 61 from line 72. This is the amount you overpaid	<b>73</b>	
	<b>74a</b>	Amount of line 73 you want refunded to you. If Form 8888 is attached, check here ▶ <input type="checkbox"/>	<b>74a</b>	
Direct deposit? See instructions.	<b>b</b>	Routing number <input type="checkbox"/> X X X X X X X X X X ▶ c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
	<b>d</b>	Account number <input type="checkbox"/> X X X X X X X X X X <input type="checkbox"/> X X X X X X X X X X		
	<b>75</b>	Amount of line 73 you want applied to your 2014 estimated tax ▶	<b>75</b>	
<b>Amount You Owe</b>	<b>76</b>	Amount you owe. Subtract line 72 from line 61. For details on how to pay, see instructions ▶	<b>76</b>	0.
	<b>77</b>	Estimated tax penalty (see instructions)	<b>77</b>	

**Standard Deduction for—**  
 • People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions.  
 • All others:  
 Single or Married filing separately, \$6,100  
 Married filing jointly or Qualifying widow(er), \$12,200  
 Head of household, \$8,950

If you have a qualifying child, attach Schedule EIC.

**Third Party Designee** Do you want to allow another person to discuss this return with the IRS (see instructions)?  Yes. Complete below.  No

Designee's name ▶	Phone no. ▶	Personal identification number (PIN) ▶
-------------------	-------------	--

**Sign Here** Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records.	Your signature	Date	Your occupation None	Daytime phone number
	Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

**Paid Preparer Use Only**

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶	Self-Prepared	Firm's EIN ▶		
Firm's address ▶		Phone no.		

**SCHEDULE B**  
**(Form 1040A or 1040)**

**Interest and Ordinary Dividends**

OMB No. 1545-0074

**2013**

Attachment  
Sequence No. **08**

Department of the Treasury  
Internal Revenue Service (99)

▶ Attach to Form 1040A or 1040.

▶ Information about Schedule B (Form 1040A or 1040) and its instructions is at [www.irs.gov/scheduleb](http://www.irs.gov/scheduleb).

Name(s) shown on return <u>Sally Beneficiary</u>	Your social security number 555-55-5555
---	--

**Part I** **1** List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see instructions on back and list this interest first. Also, show that buyer's social security number and address ▶

**Interest**

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 8a.)

**Note.** If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

		Amount
<b>1</b>		
<b>2</b>		
<b>3</b>		
<b>4</b>		

**Note.** If line 4 is over \$1,500, you must complete Part III.

**Part II** **5** List name of payer ▶ Sally Client Special Needs Trust

**Ordinary Dividends**

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 9a.)

**Note.** If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

		Amount
<b>5</b>		4,832.
<b>6</b>		4,832.

**Note.** If line 6 is over \$1,500, you must complete Part III.

You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

**Part III**  
**Foreign Accounts and Trusts**

(See instructions on back.)

- 7a** At any time during 2013, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions . . . . .
- If "Yes," are you required to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), formerly TD F 90-22.1, to report that financial interest or signature authority? See FinCEN Form 114 and its instructions for filing requirements and exceptions to those requirements . . . . .
- b** If you are required to file FinCEN Form 114, enter the name of the foreign country where the financial account is located ▶
- 8** During 2013, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions on back . . . . .

	Yes	No
<b>7a</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>b</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>8</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Name(s) Shown on Return Sally Beneficiary	Social Security Number 555-55-5555
--	---------------------------------------

Social Security/Railroad Retirement benefits received in 2012 . . . . . ▶

	Taxpayer	Spouse
<b>A Total net benefits from Box 5 of all SSA-1099 forms . . . . .</b>	8,544.	
<b>B Total federal tax withheld from box 6 of all SSA-1099 forms</b>		
<b>C Total Medicare B premiums withheld from all SSA-1099 forms . . . . .</b>		
<b>D Total Medicare C premiums withheld from all SSA-1099 forms . . . . .</b>		
<b>E Total Medicare D premiums withheld from all SSA-1099 forms . . . . .</b>		
<b>Note:</b> If self-employed, Medicare premiums are deductible as Self-Employed Health Insurance. If self-employed, enter premiums on the business activity form (Schedule C, F, etc), not on Lines C, D and E above.		
<b>F Total net benefits from Box 5 of all RRB-1099 forms . . . . .</b>		
<b>G Total federal tax withheld from box 10 of all RRB-1099 forms</b>		
<b>H Total Medicare premiums from Box 11 of all RRB-1099 forms . . . . .</b>		

<b>1</b> Add amounts from line A and line F above. Also enter this amount on Form 1040, line 20a . . . . .	<b>1</b>	8,544.
<b>2</b> Enter one-half of line 1 . . . . .	<b>2</b>	4,272.
<b>3</b> Add the amounts on Form 1040, lines 7 (before adoption benefits exclusion), 8a (before U.S. savings bond interest exclusion), 8b, 9a, 10 through 14, 15b, 16b, 17 through 19, and line 21. Also include certain income of bona fide residents of American Samoa or Puerto Rico. . . . .	<b>3</b>	5,000.
<b>4</b> Enter the total of any exclusions/adjustments for: • Foreign earned income or housing exclusion . . . . .	<b>4</b>	
<b>5</b> Add lines 2, 3, and 4 . . . . .	<b>5</b>	9,272.
<b>6</b> Amount from Form 1040, lines 23 through 32, plus any write-in amounts on line 36 (other than foreign housing deduction). . . . .	<b>6</b>	
<b>7</b> Subtract line 6 from line 5 . . . . .	<b>7</b>	9,272.
<b>8</b> Enter \$25,000 (\$32,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 2013) . . . . .	<b>8</b>	25,000.
<b>9</b> Subtract line 8 from line 7. If zero or less, enter -0- . . . . .	<b>9</b>	0.

If line 9 is zero or less, stop here; none of your social security benefits are taxable. Enter -0- on Form 1040, line 20b. If you are married filing separately and you lived apart from your spouse for all of 2013, enter 'D' to the right of the word 'benefits' on line 20a. If line 9 is more than zero, go to line 10.

<b>10</b> Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 2013) . . . . .	<b>10</b>	
<b>11</b> Subtract line 10 from line 9. If zero or less, enter -0- . . . . .	<b>11</b>	
<b>12</b> Enter the smaller of line 9 or line 10 . . . . .	<b>12</b>	
<b>13</b> Enter one-half of line 12 . . . . .	<b>13</b>	
<b>14</b> Enter the smaller of line 2 or line 13 . . . . .	<b>14</b>	
<b>15</b> Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- . . . . .	<b>15</b>	
<b>16</b> Add lines 14 and 15 . . . . .	<b>16</b>	
<b>17</b> Multiply line 1 by 85% (.85) . . . . .	<b>17</b>	
<b>18</b> Taxable social security benefits. Enter the smaller of line 16 or line 17 . . . . . If prior year lump-sum benefits were received, go to line 19, otherwise, skip line 19 and enter the amount from line 18 on line 20.	<b>18</b>	
<b>19</b> Taxable benefits with lump sum election. Enter the amount from line 20 of the Lump-Sum Social Security Worksheet . . . . .	<b>19</b>	
<b>20</b> Taxable Social Security benefits. Enter the smaller of line 18 or line 19 Also enter this amount on Form 1040, line 20b . . . . .	<b>20</b>	



Form **1041** U.S. Income Tax Return for Estates and Trusts  
 Department of the Treasury — Internal Revenue Service  
 Information about Form 1041 and its separate instructions is at [www.irs.gov/form1041](http://www.irs.gov/form1041).

**2013**

OMB No. 1545-0092

<b>A</b> Check all that apply:		For calendar year 2013 or fiscal year beginning _____, 2013 and ending _____	
<input type="checkbox"/> Decedent's estate	Name of estate or trust (If a grantor type trust, see the instructions.)		<b>C</b> Employer identification number
<input type="checkbox"/> Simple trust	<u>Sally Client Special Needs Trust</u>		<u>20-8888888</u>
<input checked="" type="checkbox"/> Complex trust			<b>D</b> Date entity created
<input checked="" type="checkbox"/> Qualified disability trust	Name and title of fiduciary		<u>01-01-2013</u>
<input type="checkbox"/> ESBT (S portion only)	Number, street, and room or suite number (If a P.O. box, see the instructions.)		<b>E</b> Nonexempt charitable and split-interest trusts, check applicable box(es), see instr.
<input type="checkbox"/> Grantor type trust	<u>Mega Bank</u>		<input type="checkbox"/> Described in section 4947(a)(1). Check here if not a private foundation . . . <input type="checkbox"/>
<input type="checkbox"/> Bankruptcy estate — Chapter 7	City or town, state or province, country, and ZIP or foreign postal code		<input type="checkbox"/> Described in section 4947(a)(2)
<input type="checkbox"/> Bankruptcy estate — Chapter 11	<u>5000 Corporate Way</u>		
<input type="checkbox"/> Pooled income fund	<u>Denver</u> <u>CO</u> <u>80111</u>		
<b>B</b> Number of Schs K-1 attached (see instructions) . . . ▶ <u>1</u>	<b>F</b> Check applicable boxes:	<input checked="" type="checkbox"/> Initial return	<input type="checkbox"/> Final return
	<input type="checkbox"/> Change in trust's name	<input type="checkbox"/> Change in fiduciary	<input type="checkbox"/> Amended return
	<input type="checkbox"/> Change in fiduciary's name	<input type="checkbox"/> Change in fiduciary's address	<input type="checkbox"/> Net operating loss carryback

**G** Check here if the estate or filing trust made a section 645 election . . . . .  Trust EIN ▶

<b>Income</b>	<b>1</b> Interest income . . . . .	<b>1</b>	4,500.
	<b>2 a</b> Total ordinary dividends . . . . .	<b>2 a</b>	20,000.
	<b>b</b> Qualified dividends allocable to: (1) Beneficiaries <u>18,000</u> , (2) Estate or trust <u>0</u>		
	<b>3</b> Business income or (loss). Attach Schedule C or C-EZ (Form 1040) . . . . .	<b>3</b>	
	<b>4</b> Capital gain or (loss). Attach Schedule D (Form 1041) . . . . .	<b>4</b>	
	<b>5</b> Rents, royalties, partnerships, other estates and trusts, etc. Attach Schedule E (Form 1040) . . . . .	<b>5</b>	
	<b>6</b> Farm income or (loss). Attach Schedule F (Form 1040) . . . . .	<b>6</b>	
	<b>7</b> Ordinary gain or (loss). Attach Form 4797 . . . . .	<b>7</b>	
	<b>8</b> Other income. List type and amount . . . . .	<b>8</b>	
<b>9</b> Total income. Combine lines 1, 2a, and 3 through 8 . . . . . ▶	<b>9</b>	24,500.	
<b>Deductions</b>	<b>10</b> Interest. Check if Form 4952 is attached ▶ <input type="checkbox"/>	<b>10</b>	
	<b>11</b> Taxes . . . . .	<b>11</b>	
	<b>12</b> Fiduciary fees . . . . .	<b>12</b>	4,900.
	<b>13</b> Charitable deduction (from Schedule A, line 7) . . . . .	<b>13</b>	
	<b>14</b> Attorney, accountant, and return preparer fees . . . . .	<b>14</b>	4,900.
	<b>15 a</b> Other deductions not subject to the 2% floor (attach schedule) . . . . .	<b>15 a</b>	
	<b>b</b> Net operating loss deduction (see instructions) . . . . .	<b>15 b</b>	
	<b>c</b> Allowable miscellaneous itemized deductions subject to the 2% floor . . . . .	<b>15 c</b>	
	<b>16</b> Add lines 10 through 15c . . . . . ▶	<b>16</b>	9,800.
	<b>17</b> Adjusted total income or (loss). Subtract line 16 from line 9 . . . . .	<b>17</b>	14,700.
<b>Tax and Payments</b>	<b>18</b> Income distribution deduction (from Schedule B, line 15). Attach Schedules K-1 (Form 1041) . . . . .	<b>18</b>	14,700.
	<b>19</b> Estate tax deduction including certain generation-skipping taxes (attach computation) . . . . .	<b>19</b>	
	<b>20</b> Exemption . . . . .	<b>20</b>	3,900.
	<b>21</b> Add lines 18 through 20 . . . . . ▶	<b>21</b>	18,600.
	<b>22</b> Taxable income. Subtract line 21 from line 17. If a loss, see instructions . . . . .	<b>22</b>	-3,900.
	<b>23</b> Total tax (from Schedule G, line 7) . . . . .	<b>23</b>	0.
	<b>24</b> Payments: a 2013 estimated tax payments and amount applied from 2012 return . . . . .	<b>24 a</b>	
	<b>b</b> Estimated tax payments allocated to beneficiaries (from Form 1041-T) . . . . .	<b>24 b</b>	
	<b>c</b> Subtract line 24b from line 24a . . . . .	<b>24 c</b>	
	<b>d</b> Tax paid with Form 7004 (see instructions) . . . . .	<b>24 d</b>	
<b>e</b> Federal income tax withheld. If any is from Form(s) 1099, check ▶ <input type="checkbox"/>	<b>24 e</b>		
Other payments: f Form 2439 ; g Form 4136 ; Total . . . . . ▶	<b>24 h</b>		
<b>25</b> Total payments. Add lines 24c through 24e, and 24h . . . . . ▶	<b>25</b>		
<b>26</b> Estimated tax penalty (see instructions) . . . . .	<b>26</b>		
<b>27</b> Tax due. If line 25 is smaller than the total of lines 23 and 26, enter amount owed . . . . .	<b>27</b>	0.	
<b>28</b> Overpayment. If line 25 is larger than the total of lines 23 and 26, enter amount overpaid . . . . .	<b>28</b>		
<b>29</b> Amount of line 28 to be: a Credited to 2014 estimated tax ; b Refunded . . . . . ▶	<b>29</b>		

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

**Sign Here** ▶ Signature of fiduciary or officer representing fiduciary \_\_\_\_\_ Date \_\_\_\_\_ EIN of fiduciary if a financial institution \_\_\_\_\_

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

**Paid Preparer Use Only**

Print/Type preparer's name \_\_\_\_\_ Preparer's signature \_\_\_\_\_ Date \_\_\_\_\_ Check  if self-employed PTIN \_\_\_\_\_

Firm's name ▶ Self-Prepared Firm's EIN ▶ \_\_\_\_\_

Firm's address ▶ \_\_\_\_\_ Phone no. \_\_\_\_\_

**Schedule A Charitable Deduction.** Do not complete for a simple trust or a pooled income fund.

1	Amounts paid or permanently set aside for charitable purposes from gross income (see instructions)	1	
2	Tax-exempt income allocable to charitable contributions (see instructions)	2	
3	Subtract line 2 from line 1.	3	
4	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes.	4	
5	Add lines 3 and 4.	5	
6	Section 1202 exclusion allocable to capital gains paid or permanently set aside for charitable purposes (see instructions)	6	
7	<b>Charitable deduction.</b> Subtract line 6 from line 5. Enter here and on page 1, line 13.	7	

**Schedule B Income Distribution Deduction**

1	Adjusted total income (see instructions)	1	14,700.
2	Adjusted tax-exempt interest	2	300.
3	Total net gain from Schedule D (Form 1041), line 19, column (1) (see instructions)	3	
4	Enter amount from Schedule A, line 4 (minus any allocable section 1202 exclusion)	4	
5	Capital gains for the tax year included on Schedule A, line 1 (see instructions)	5	
6	Enter any gain from page 1, line 4, as a negative number. If page 1, line 4, is a loss, enter the loss as a positive number	6	
7	<b>Distributable net income.</b> Combine lines 1 through 6. If zero or less, enter -0-	7	15,000.
8	If a complex trust, enter accounting income for the tax year as determined under the governing instrument and applicable local law	8	15,000.
9	Income required to be distributed currently	9	4,832.
10	Other amounts paid, credited, or otherwise required to be distributed	10	15,168.
11	Total distributions. Add lines 9 and 10. If greater than line 8, see instructions	11	20,000.
12	Enter the amount of tax-exempt income included on line 11.	12	300.
13	Tentative income distribution deduction. Subtract line 12 from line 11.	13	19,700.
14	Tentative income distribution deduction. Subtract line 2 from line 7. If zero or less, enter -0-	14	14,700.
15	<b>Income distribution deduction.</b> Enter the smaller of line 13 or line 14 here and on page 1, line 18.	15	14,700.

**Schedule C Tax Computation** (see instructions)

1	<b>Tax:</b> a Tax on taxable income (see instructions)	1 a	
	b Tax on lump-sum distributions. Attach Form 4972	1 b	
	c Alternative minimum tax (from Schedule I (Form 1041), line 56)	1 c	0.
	<b>d Total.</b> Add lines 1a through 1c.	1 d	0.
2 a	Foreign tax credit. Attach Form 1116	2 a	
	b General business credit. Attach Form 3800	2 b	
	c Credit for prior year minimum tax. Attach Form 8801	2 c	
	d Bond credits. Attach Form 8912	2 d	
	<b>e Total credits.</b> Add lines 2a through 2d	2 e	
3	Subtract line 2e from line 1d. If zero or less, enter -0-	3	0.
4	Net investment income tax from Form 8960, line 21.	4	0.
5	Recapture taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611	5	
6	Household employment taxes. Attach Schedule H (Form 1040)	6	
7	<b>Total tax.</b> Add lines 3 through 6. Enter here and on page 1, line 23.	7	0.

**Other Information**

	Yes	No
1 Did the estate or trust receive tax-exempt income? If 'Yes,' attach a computation of the allocation of expenses Enter the amount of tax-exempt interest income and exempt-interest dividends . . . ▶ \$ 500.	X	
2 Did the estate or trust receive all or any part of the earnings (salary, wages, and other compensation) of any individual by reason of a contract assignment or similar arrangement?		X
3 At any time during the calendar year 2013, did the estate or trust have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country? See the instructions for exceptions and filing requirements for FinCEN Form 114. If 'Yes,' enter the name of the foreign country ▶		X
4 During the tax year, did the estate or trust receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If 'Yes,' the estate or trust may have to file Form 3520. See instructions		X
5 Did the estate or trust receive, or pay, any qualified residence interest on seller-provided financing? If 'Yes,' see the instructions for required attachment . . .		X
6 If this is an estate or a complex trust making the section 663(b) election, check here (see instructions) ▶ <input type="checkbox"/>		
7 To make a section 643(e)(3) election, attach Schedule D (Form 1041), and check here (see instructions) ▶ <input type="checkbox"/>		
8 If the decedent's estate has been open for more than 2 years, attach an explanation for the delay in closing the estate, and check here ▶ <input type="checkbox"/>		
9 Are any present or future trust beneficiaries skip persons? See instructions		X

**SCHEDULE I**  
**(Form 1041)**

**Alternative Minimum Tax – Estates and Trusts**

OMB No. 1545-0092

**2013**

Department of the Treasury  
Internal Revenue Service

▶ Attach to Form 1041.

▶ Information about Schedule I (Form 1041) and its separate instructions is at [www.irs.gov/form1041](http://www.irs.gov/form1041).

Name of estate or trust

Employer identification number

Sally Client Special Needs Trust

20-8888888

**Part I Estate's or Trust's Share of Alternative Minimum Taxable Income**

1	Adjusted total income or (loss) (from Form 1041, line 17)	1	14,700.
2	Interest	2	
3	Taxes	3	
4	Miscellaneous itemized deductions (from Form 1041, line 15c)	4	
5	Refund of taxes	5	
6	Depletion (difference between regular tax and AMT)	6	
7	Net operating loss deduction. Enter as a positive amount	7	
8	Interest from specified private activity bonds exempt from the regular tax	8	
9	Qualified small business stock (see instructions)	9	
10	Exercise of incentive stock options (excess of AMT income over regular tax income)	10	
11	Other estates and trusts (amount from Schedule K-1 (Form 1041), box 12, code A)	11	
12	Electing large partnerships (amount from Schedule K-1 (Form 1065-B), box 6)	12	
13	Disposition of property (difference between AMT and regular tax gain or loss)	13	
14	Depreciation on assets placed in service after 1986 (difference between regular tax and AMT)	14	
15	Passive activities (difference between AMT and regular tax income or loss)	15	
16	Loss limitations (difference between AMT and regular tax income or loss)	16	
17	Circulation costs (difference between regular tax and AMT)	17	
18	Long-term contracts (difference between AMT and regular tax income)	18	
19	Mining costs (difference between regular tax and AMT)	19	
20	Research and experimental costs (difference between regular tax and AMT)	20	
21	Income from certain installment sales before January 1, 1987	21	
22	Intangible drilling costs preference	22	
23	Other adjustments, including income-based related adjustments	23	
24	Alternative tax net operating loss deduction (See the instructions for the limitation that applies.)	24	
25	Adjusted alternative minimum taxable income. Combine lines 1 through 24	25	14,700.
<b>Note:</b> Complete Part II below before going to line 26.			
26	Income distribution deduction from Part II, line 44	26	14,700.
27	Estate tax deduction (from Form 1041, line 19)	27	
28	Add lines 26 and 27	28	14,700.
29	Estate's or trust's share of alternative minimum taxable income. Subtract line 28 from line 25	29	0.

If line 29 is:

- \$23,100 or less, stop here and enter -0- on Form 1041, Schedule G, line 1c. The estate or trust is not liable for the alternative minimum tax.
- Over \$23,100, but less than \$169,350, go to line 45.
- \$169,350 or more, enter the amount from line 29 on line 51 and go to line 52.

**Part II Income Distribution Deduction on a Minimum Tax Basis**

30	Adjusted alternative minimum taxable income (see instructions)	30	14,700.
31	Adjusted tax-exempt interest (other than amounts included on line 8)	31	300.
32	Total net gain from Schedule D (Form 1041), line 19, column (1). If a loss, enter -0-	32	
33	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes (from Form 1041, Schedule A, line 4)	33	
34	Capital gains paid or permanently set aside for charitable purposes from gross income (see instructions)	34	
35	Capital gains computed on a minimum tax basis included on line 25	35	
36	Capital losses computed on a minimum tax basis included on line 25. Enter as a positive amount	36	
37	Distributable net alternative minimum taxable income (DNAMTI). Combine lines 30 through 36. If zero or less, enter -0-	37	15,000.
38	Income required to be distributed currently (from Form 1041, Schedule B, line 9)	38	4,832.
39	Other amounts paid, credited, or otherwise required to be distributed (from Form 1041, Schedule B, line 10)	39	15,168.
40	Total distributions. Add lines 38 and 39	40	20,000.
41	Tax-exempt income included on line 40 (other than amounts included on line 8)	41	300.
42	Tentative income distribution deduction on a minimum tax basis. Subtract line 41 from line 40	42	19,700.

**BAA For Paperwork Reduction Act Notice, see the Instructions for Form 1041.**

Schedule I (Form 1041) (2013)

**Part II Income Distribution Deduction on a Minimum Tax Basis (continued)**

43	Tentative income distribution deduction on a minimum tax basis. Subtract line 31 from line 37. If zero or less, enter -0- . . . . .	43	14,700.
44	Income distribution deduction on a minimum tax basis. Enter the smaller of line 42 or line 43. Enter here and on line 26 . . . . .	44	14,700.

**Part III Alternative Minimum Tax**

45	Exemption amount . . . . .	45	\$23,100.
46	Enter the amount from line 29 . . . . .	46	
47	Phase-out of exemption amount . . . . .	47	\$76,950.
48	Subtract line 47 from line 46. If zero or less, enter -0- . . . . .	48	
49	Multiply line 48 by 25% (.25) . . . . .	49	
50	Subtract line 49 from line 45. If zero or less, enter -0- . . . . .	50	
51	Subtract line 50 from line 46 . . . . .	51	
52	Go to Part IV of Schedule I to figure line 52 if the estate or trust has qualified dividends or has a gain on lines 18a and 19 of column (2) of Schedule D (Form 1041) (as refigured for the AMT, if necessary). Otherwise, if line 51 is — • \$179,500 or less, multiply line 51 by 26% (.26). • Over \$179,500, multiply line 51 by 28% (.28) and subtract \$3,590 from the result . . . . .	52	
53	Alternative minimum foreign tax credit (see instructions) . . . . .	53	
54	Tentative minimum tax. Subtract line 53 from line 52 . . . . .	54	
55	Enter the tax from Form 1041, Schedule G, line 1a (minus any foreign tax credit from Schedule G, line 2a) . . . . .	55	
56	Alternative minimum tax. Subtract line 55 from line 54. If zero or less, enter -0-. Enter here and on Form 1041, Schedule G, line 1c. . . . .	56	

**Part IV Line 52 Computation Using Maximum Capital Gains Rates**

**Caution:** If you did not complete Part V of Schedule D (Form 1041), the Schedule D Tax Worksheet, or the Qualified Dividends Tax Worksheet in the Instructions for Form 1041, see the instructions before completing this part.

57	Enter the amount from line 51 . . . . .	57	
58	Enter the amount from Schedule D (Form 1041), line 26, line 13 of the Schedule D Tax Worksheet, or line 4 of the Qualified Dividends Tax Worksheet in the Instructions for Form 1041, whichever applies (as refigured for the AMT, if necessary) . . . . .	58	
59	Enter the amount from Schedule D (Form 1041), line 18b, column (2) (as refigured for the AMT, if necessary). If you did not complete Schedule D for the regular tax or the AMT, enter -0- . . . . .	59	
60	If you did not complete a Schedule D Tax Worksheet for the regular tax or the AMT, enter the amount from line 58. Otherwise, add lines 58 and 59 and enter the smaller of that result or the amount from line 10 of the Schedule D Tax Worksheet (as refigured for the AMT, if necessary) . . . . .	60	
61	Enter the smaller of line 57 or line 60. . . . .	61	
62	Subtract line 61 from line 57 . . . . .	62	
63	If line 62 is \$179,500 or less, multiply line 62 by 26% (.26). Otherwise, multiply line 62 by 28% (.28) and subtract \$3,590 from the result . . . . .	63	
64	Maximum amount subject to the 0% rate . . . . .	64	\$2,450.
65	Enter the amount from line 27 of Schedule D (Form 1041), line 14 of the Schedule D Tax Worksheet, or line 5 of the Qualified Dividends Tax Worksheet in the Instructions for Form 1041, whichever applies (as figured for the regular tax). If you did not complete Schedule D or either worksheet for the regular tax, enter the amount from Form 1041, line 22; but do not enter less than -0- . . . . .	65	
66	Subtract line 65 from line 64. If zero or less, enter -0- . . . . .	66	
67	Enter the smaller of line 57 or line 58. . . . .	67	
68	Enter the smaller of line 66 or line 67. This amount is taxed at 0% . . . . .	68	
69	Subtract line 68 from line 67 . . . . .	69	

**Part IV Line 52 Computation Using Maximum Capital Gains Rates (continued)**

70	Enter the amount from Line 70 Worksheet in the instructions . . . . .	70		
71	Enter the <b>smaller</b> of line 69 or 70 . . . . .	71		
72	Multiply line 71 by 15% (.15) . . . . .			72
73	Add lines 68 and 71 . . . . .	73		
If lines 73 and 57 are the same, skip lines 74 through 78 and go to line 79. Otherwise, go to line 74.				
74	Subtract line 73 from line 67 . . . . .	74		
75	Multiply line 74 by 20% (.20) . . . . .			75
If line 59 is zero or blank, skip lines 76 through 78 and go to line 79. Otherwise, go to line 76.				
76	Add lines 62, 73, and 74 . . . . .	76		
77	Subtract line 76 from line 57 . . . . .	77		
78	Multiply line 77 by 25% (.25) . . . . .			78
79	Add lines 63, 72, 75, and 78 . . . . .			79
80	If line 57 is \$179,500 or less, multiply line 57 by 26% (.26). Otherwise, multiply line 57 by 28% (.28) and subtract \$3,590 from the result . . . . .			80
81	Enter the <b>smaller</b> of line 79 or line 80 here and on line 52 . . . . .			81

Schedule I (Form 1041) (2013)

<b>Deduction Allocation Smart Worksheet</b>			
	(a) Amounts totally allocable to taxable income	(b) Amounts totally allocable to tax-exempt income	(c) Amounts to be allocated between tax-exempt and taxable income
<b>10</b> Interest . . . . .			
<b>a</b> Form 4952 . . . . .			
<b>11</b> Taxes . . . . .			
<b>a</b> Taxes from K-1s . . . . .			
<b>12</b> Fiduciary fees . . . . .			5,000.
<b>14</b> Attorney, account- ant, return pre- parer fees . . . . .			5,000.
<b>15 a</b> Deductions not subject to 2% floor . . . . .			
<b>b</b> Deductions subject to 2% floor . . . . .			

<b>Trust Accounting Income Smart Worksheet and Depreciation and Amortization Allocation</b>	
<b>Allocation of Trust Accounting Income Between Beneficiaries and Estate/Trust</b>	
<b>A</b> Tentative trust accounting income . . . . .	15,000.
<b>Adjustments to Trust Accounting Income</b>	
_____	_____
_____	_____
_____	_____
_____	_____
<b>B</b> Total adjustments to trust accounting income . . . . .	_____
<b>C</b> Final trust accounting income (A + B) . . . . .	15,000.
Beneficiaries' percent of trust accounting income . . . . .	100.00000
Estate's or trust's percent of trust accounting income . . . . .	0.00000

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

**2013**

Name <b>Sally Client Special Needs Trust</b>	Employer Identification Number <b>20-8888888</b>
---	---

1041 Line #	Type of Income	(a) Total	(b) Tax-exempt Income	(c) Taxable Income
1	Interest income . . . . .	5,000.	500.	4,500.
2	Dividends . . . . .	20,000.		20,000.
3	Gross income from Schedule C . . . . .			
4	Total net gain from Schedule D, line 19, col. (1) . . . . .			
5 a	Gross rents/royalties from Schedule E . . . . .			
5 b	Income/loss Sch E, pg 2, lines 32, 37 and 39 . . . . .			
6	Gross income from Schedule F			
7	Ordinary gain or loss . . . . .			
8	Direct Entry          From K-1s			
	Other income _____			
	Totals . . . . .	25,000.	500.	24,500.
		100.0000 %	2.0000 %	98.0000 %

1041 Line #	Type of Deduction	(a) Amounts totally allocable to taxable income	(b) Amounts totally allocable to tax exempt income	(c) Amts to be allocated between exempt and taxable income	(d) Amounts allocable to taxable income col (c) x 0.9800	(e) Deductible amounts (a + d)
10	Interest . . . . .					
10 a	Investment interest Form 4952 . . . . .					
11	Taxes . . . . .					
12	Fiduciary fees . . . . .			5,000.	4,900.	4,900.
14	Attorney, accountant, return preparation fees . . . . .			5,000.	4,900.	4,900.
15 a	Other deductions <b>not</b> subject to the 2% floor . . . . .					
15 b	Allowable miscellaneous itemized deductions subject to the 2% floor . . . . .					
	Totals . . . . .			10,000.	9,800.	9,800.

Total allocated amounts from column (c) not deductible . . . . . 200.

**Distributable Income for Schedule(s) K-1**

**2013**

Name Sally Client Special Needs Trust	Employer Identification No. 20-8888888
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**Part I – Summary of Income Items**

<b>1</b>	Interest (Form 1041, page 1, line 1) . . . . .	<b>1</b>	4,500.
<b>2</b>	Dividends (Form 1041, page 1, line 2a) . . . . .	<b>2</b>	20,000.
<b>3</b>	Net short-term capital gain (Schedule D, line 13a, column (1)) . . . . .	<b>3</b>	
<b>4</b>	Net long-term capital gain (Schedule D, line 14a, column (1)) . . . . .	<b>4</b>	
<b>5</b>	Non-passive income:		
	<b>a</b> Schedule C, page 1, line 31 . . . . .	<b>5 a</b>	
	<b>b</b> Schedule E, page 2, line 29, column (h) and (j) . . . . .	<b>b</b>	
	<b>c</b> Schedule E, page 2, line 34, column (e) and (f) . . . . .	<b>c</b>	
	<b>d</b> Schedule E, page 2, line 39 . . . . .	<b>d</b>	
	<b>e</b> Schedule E, page 1, line 21 (royalties only) . . . . .	<b>e</b>	
	<b>f</b> Schedule E, p1, lns 21 and 22 (rental real estate only) . . . . .	<b>f</b>	
	<b>g</b> Schedule E Farm Wks, line 32 and 33c . . . . .	<b>g</b>	
	<b>h</b> Schedule F, page 1, line 36 . . . . .	<b>h</b>	
	<b>i</b> Other non-passive income . . . . .	<b>i</b>	
	<b>Total non-passive income</b> . . . . .	<b>5</b>	
<b>6</b>	Passive income:		
	<b>a</b> Schedule C, page 1, line 31:	<b>6 a</b>	
	<b>1</b> Trade or business only . . . . .		
	<b>2</b> Other rental only . . . . .		
	<b>b</b> Schedule E, p 1, lns 21 and 22 (rental real estate only) . . . . .	<b>b</b>	
	<b>c</b> Schedule E, page 2, line 29, column (f) and (g):	<b>c</b>	
	<b>1</b> Trade or business only . . . . .		
	<b>2</b> Rental real estate only . . . . .		
	<b>3</b> Other rental only . . . . .		
	<b>d</b> Schedule E, page 2, line 34, column (c) and (d):	<b>d</b>	
	<b>1</b> Trade or business . . . . .		
	<b>2</b> Rental real estate . . . . .		
	<b>3</b> Other rental only . . . . .		
	<b>e</b> Schedule E Farm Wks, line 32 and 33c . . . . .	<b>e</b>	
	<b>f</b> Schedule F, page 1, line 36 . . . . .	<b>f</b>	
	<b>g</b> Other passive income . . . . .	<b>g</b>	
	<b>Total passive income</b> . . . . .	<b>6</b>	

**Part II – Allocation of Deductions to Income**

	(a) Interest	(b) Non-Qualified Dividends	(c) Qualified Dividends	(d) Total Capital Gains	(e) Non- passive Income	(f) Passive Income
<b>1</b> Income . . . . .	4,500.	2,000.	18,000.			
Less						
Deductions:						
<b>2</b> Interest . . . . .						
<b>3</b> Form 4952						
interest . . . . .						
<b>4</b> Taxes . . . . .						
<b>5</b> Fiduciary						
fees . . . . .	3,392.	1,508.				
<b>6</b> Charitable						
deduction . . . . .						
<b>7</b> Professional						
fees . . . . .	3,392.	1,508.				
<b>8</b> Other						
deductions . . . . .						
<b>9</b> Allowable						
miscellaneous						
deductions . . . . .						
<b>10</b> Total						
deductions . . . . .	6,784.	3,016.				
<b>11</b> Subtotal . . . . .	-2,284.	-1,016.	18,000.			
<b>12</b> Reclassify						
excess						
deductions . . . . .	2,284.	1,016.				
<b>13</b> Allocate						
excess						
deductions . . . . .			3,300.			
<b>14</b> Total			14,700.			
distributable . . . . .	0.	0.				
<b>15</b> Amount						
distributed to	0.	0.	14,700.			
beneficiary . . . . .						



**Amounts to Allocate to Schedules K-1 Worksheet**  
Represents 100% of amounts to be allocated to the Schedules K-1

**2013**

Name of Trust or Decedent's Estate  
Sally Client Special Needs Trust

Employer Identification Number  
20-8888888

Allocable share item		Amount
QuickZoom here to go to the Schedules K-1 . . . . . ▶		
<b>1</b>	Interest income . . . . .	<b>1</b>
<b>2 a</b>	Total ordinary dividends . . . . .	<b>2</b> 14,700.
<b>b</b>	Qualified dividends . . . . .	14,700.
<b>3</b>	Net short-term capital gain . . . . .	<b>3</b>
<b>4 a</b>	Net long-term capital gain . . . . .	<b>4</b>
<b>b</b>	28% rate gain . . . . .	
<b>c</b>	Unrecaptured Section 1250 gain . . . . .	
<b>5</b>	Other portfolio and non-passive income (other than directly apportioned deductions). . . . .	<b>5</b>
<b>A</b>	Depreciation apportioned to line 5 . . . . .	
<b>B</b>	Depletion apportioned to line 5 . . . . .	
<b>C</b>	Amortization apportioned to line 5 . . . . .	
<b>6</b>	Trade or business income (other than directly apportioned deductions). . . . . <b>Check if income and deductions by activity stmt . ▶</b> <input type="checkbox"/>	<b>6</b>
<b>A</b>	Depreciation apportioned to line 6 . . . . .	
<b>B</b>	Depletion apportioned to line 6 . . . . .	
<b>C</b>	Amortization apportioned to line 6 . . . . .	
<b>7</b>	Rental real estate income (other than directly apportioned deductions). . . . . <b>Check if income and deductions by activity stmt . ▶</b> <input type="checkbox"/>	<b>7</b>
<b>A</b>	Depreciation apportioned to line 7 . . . . .	
<b>B</b>	Depletion apportioned to line 7 . . . . .	
<b>C</b>	Amortization apportioned to line 7 . . . . .	
<b>8</b>	Other rental income (other than directly apportioned deductions). . . . . <b>Check if income and deductions by activity stmt . ▶</b> <input type="checkbox"/>	<b>8</b>
<b>A</b>	Depreciation apportioned to line 8 . . . . .	
<b>B</b>	Depletion apportioned to line 8 . . . . .	
<b>C</b>	Amortization apportioned to line 8 . . . . .	
<b>9</b>	Directly apportioned deductions (sum of lines 5A-C, 6A-C, 7A-C and 8A-C) . . . . .	<b>9</b>
<b>10</b>	Estate tax deduction . . . . .	<b>10</b>
<b>11</b>	<b>Final Year Deductions</b> . . . . .	<b>11</b>
<b>A</b>	Excess deductions on termination . . . . .	
<b>B</b>	Short-term capital loss carryover . . . . .	
<b>C</b>	Long-term capital loss carryover . . . . .	
<b>D</b>	Net operating loss (NOL) carryover for regular tax purposes . . . . .	
<b>E</b>	NOL carryover for minimum tax purposes . . . . .	
<b>12</b>	<b>Alternative Minimum Tax Items</b> . . . . .	<b>12</b>
<b>A</b>	Adjustment for minimum tax purposes . . . . .	0.
<b>B</b>	AMT adjustment attributable to qualified dividends . . . . .	
<b>C</b>	AMT adjustment attributable to net short-term capital gain . . . . .	
<b>D</b>	AMT adjustment attributable to net long-term capital gain . . . . .	
<b>E</b>	AMT adjustment attributable to unrecaptured section 1250 gain . . . . .	
<b>F</b>	AMT adjustment attributable to 28% rate gain . . . . .	
<b>G</b>	Accelerated depreciation . . . . .	
<b>H</b>	Depletion . . . . .	
<b>I</b>	Amortization . . . . .	
<b>J</b>	Exclusion items . . . . .	
<b>13</b>	<b>Credits and Credit Recapture</b> . . . . .	<b>13</b>
<b>A</b>	Credit for estimated taxes credited to beneficiaries . . . . .	
<b>B</b>	Credit for backup withholding . . . . .	
<b>14</b>	<b>Other Information</b> . . . . .	<b>14</b>
<b>A</b>	Tax-exempt interest . . . . .	300.
<b>B</b>	Foreign taxes. . . . . <b>Check if attached foreign taxes statement . ▶</b> <input type="checkbox"/>	
<b>C</b>	Qualified production activities income . . . . .	
<b>D</b>	Qualified production activities W-2 wages . . . . .	
<b>E</b>	Net investment income . . . . .	14,700.
<b>F</b>	Gross farm and fishing income . . . . .	
<b>G</b>	Foreign trading gross receipts (IRC 942(a)) . . . . .	
<b>H</b>	Adjustment for section 1411 net investment income or deductions . . . . .	24,500.
<b>I</b>		
<b>J</b>		

**Schedule K-1  
(Form 1041)**  
Department of the Treasury  
Internal Revenue Service

**2013**

For calendar year 2013,  
or tax year beginning \_\_\_\_\_, 2013,  
and ending \_\_\_\_\_

Final K-1  Amended K-1

661113

OMB No. 1545-0092

**Beneficiary's Share of Income, Deductions, Credits, etc.**  
▶ See Page 2 and separate instructions.

**Part I Information About the Estate or Trust**

**A** Estate's or trust's employer identification number  
20-8888888

**B** Estate's or trust's name  
Sally Client Special Needs Trust

**C** Fiduciary's name, address, city, state, and ZIP code  
Mega Bank  
5000 Corporate Way  
Denver CO 80111

**D**  Check if Form 1041-T was filed and enter the date it was filed . . . . .

**E**  Check if this is the final Form 1041 for the estate or trust

**Part II Information About the Beneficiary**

**F** Beneficiary's identifying number  
555-55-5555

**G** Beneficiary's name, address, city, state, and ZIP code  
Sally Beneficiary  
1000 Destitute Way  
Denver CO 80111

**H**  Domestic beneficiary  Foreign beneficiary

**Part III Beneficiary's Share of Current Year Income, Deductions, Credits, and Other Items**

<b>1</b>	Interest income	<b>11</b>	Final year deductions
<b>2 a</b>	Ordinary dividends 14,700.		
<b>2 b</b>	Qualified dividends 14,700.		
<b>3</b>	Net short-term capital gain		
<b>4 a</b>	Net long-term capital gain		
<b>4 b</b>	28% rate gain	<b>12</b>	Alternative minimum tax adjustment
<b>4 c</b>	Unrecaptured section 1250 gain	A	0.
<b>5</b>	Other portfolio and nonbusiness income		
<b>6</b>	Ordinary business income		
<b>7</b>	Net rental real estate income		
<b>8</b>	Other rental income	<b>13</b>	Credits and credit recapture
<b>9</b>	Directly apportioned deductions		
		<b>14</b>	Other information
		A	300.
<b>10</b>	Estate tax deduction	E	14,700.
		H	24,500.

\*See attached statement for additional information.  
**Note.** A statement must be attached showing the beneficiary's share of income and directly apportioned deductions from each business, rental real estate, and other rental activity.

FOR IRS USE ONLY

This list identifies the codes used on Schedule K-1 for beneficiaries and provides summarized reporting information for beneficiaries who file Form 1040. For detailed reporting and filing information, see the instructions for Schedule K-1 (Form 1041) for a Beneficiary Filing Form 1040 and the instructions for your income tax return.

		<i>Report on</i>			<i>Report on</i>
<b>1</b>	<b>Interest income</b>	Form 1040, line 8a	<b>13</b>	<b>Credits and credit recapture</b>	
<b>2 a</b>	<b>Ordinary dividends</b>	Form 1040, line 9a		<b>Code</b>	
<b>2 b</b>	<b>Qualified dividends</b>	Form 1040, line 9b	<b>A</b>	Credit for estimated taxes	Form 1040, line 63
<b>3</b>	<b>Net short-term capital gain</b>	Schedule D, line 5	<b>B</b>	Credit for backup withholding	Form 1040, line 62
<b>4 a</b>	<b>Net long-term capital gain</b>	Schedule D, line 12	<b>C</b>	Low-income housing credit	See the beneficiary's instructions
<b>4 b</b>	<b>28% rate gain</b>	28% Rate Gain Worksheet, line 4 (Schedule D Instructions)	<b>D</b>	Rehabilitation credit and energy credit	
<b>4 c</b>	<b>Unrecaptured section 1250 gain</b>	Unrecaptured Section 1250 Gain Worksheet, line 11 (Schedule D Instructions)	<b>E</b>	Other qualifying investment credit	
<b>5</b>	<b>Other portfolio and nonbusiness income</b>	Schedule E, line 33, column (f)	<b>F</b>	Work opportunity credit	
<b>6</b>	<b>Ordinary business income</b>	Schedule E, line 33, column (d) or (f)	<b>G</b>	Credit for small employer health insurance premiums	
<b>7</b>	<b>Net rental real estate income</b>	Schedule E, line 33, column (d) or (f)	<b>H</b>	Biofuel producer credit	
<b>8</b>	<b>Other rental income</b>	Schedule E, line 33, column (d) or (f)	<b>I</b>	Credit for increasing research activities	
<b>9</b>	<b>Directly apportioned deductions</b>		<b>J</b>	Renewable electricity, refined coal, and Indian coal production credit	
	<b>Code</b>		<b>K</b>	Empowerment zone and renewal community employment credit	
<b>A</b>	Depreciation	Form 8582 or Schedule E, line 33, column (c) or (e)	<b>L</b>	Indian employment credit	
<b>B</b>	Depletion	Form 8582 or Schedule E, line 33, column (c) or (e)	<b>M</b>	Orphan drug credit	
<b>C</b>	Amortization	Form 8582 or Schedule E, line 33, column (c) or (e)	<b>N</b>	Credit for employer-provided child care and facilities	
<b>10</b>	<b>Estate tax deduction</b>	Schedule A, line 28	<b>O</b>	Biodiesel and renewable diesel fuels credit	
<b>11</b>	<b>Final year deductions</b>		<b>P</b>	Nonconventional source fuel credit	
<b>A</b>	Excess deductions	Schedule A, line 23	<b>Q</b>	Credit to holders of tax credit bonds	
<b>B</b>	Short-term capital loss carryover	Schedule D, line 5	<b>R</b>	Agricultural chemicals security credit	
<b>C</b>	Long-term capital loss carryover	Schedule D, line 12; line 5 of the worksheet for Schedule D, line 18; and line 16 of the worksheet for Schedule D, line 19	<b>S</b>	Energy efficient appliance credit	
<b>D</b>	Net operating loss carryover — regular tax	Form 1040, line 21	<b>T</b>	Credit for employer differential wage payments	
<b>E</b>	Net operating loss carryover — minimum tax	Form 6251, line 11	<b>U</b>	Recapture of credits	
<b>12</b>	<b>Alternative minimum tax (AMT) items</b>		<b>14</b>	<b>Other information</b>	
<b>A</b>	Adjustment for minimum tax purposes	Form 6251, line 15	<b>A</b>	Tax-exempt interest	Form 1040, line 8b
<b>B</b>	AMT adjustment attributable to qualified dividends	See the beneficiary's instructions and the instructions for Form 6251	<b>B</b>	Foreign taxes	Form 1040, line 47 or Schedule A, line 8
<b>C</b>	AMT adjustment attributable to net short-term capital gain		<b>C</b>	Qualified production activities income	Form 8903, line 7, column (b) (also see the beneficiary's instructions)
<b>D</b>	AMT adjustment attributable to net long-term capital gain		<b>D</b>	Form W-2 wages	Form 8903, line 17
<b>E</b>	AMT adjustment attributable to unrecaptured section 1250 gain		<b>E</b>	Net investment income	Form 4952, line 4a
<b>F</b>	AMT adjustment attributable to 28% rate gain		<b>F</b>	Gross farm and fishing income	Schedule E, line 42
<b>G</b>	Accelerated depreciation		<b>G</b>	Foreign trading gross receipts (IRC 942(a))	See the instructions for Form 8873
<b>H</b>	Depletion		<b>H</b>	Adjustment for section 1411 net investment income or deductions	Form 8960, line 7 (also see the beneficiary's instructions)
<b>I</b>	Amortization		<b>I</b>	Other information	See the beneficiary's instructions
<b>J</b>	Exclusion items				

**Note.** If you are a beneficiary who does not file a Form 1040, see instructions for the type of income tax return you are filing.

Keep for your records

Beneficiary's Name: Sally Beneficiary; Social Security Number: 555-55-5555

Year (check one): For the calendar year 2013 (checked); For the year beginning and ending on dates shown below

Part I Information About the Estate or Trust

A Estate's or trust's employer identification number: 20-8888888; B Estate's or trust's name: Sally Client Special Needs Trust; C Fiduciary's: Name, Address, City, State, ZIP Code; D Check if Form 1041-T was filed; E 1 Check if this is the final Form 1041; E 2 Check if complete disposition in fully-taxable transaction

Part II Information About the Beneficiary

Beneficiary is (check one): Taxpayer (checked), Spouse, Joint; F Beneficiary's identifying Number: 555-55-5555; G Beneficiary's: Name: Sally Beneficiary, Address: 1000 Destitute Way, City: Denver, State: CO, ZIP Code: 80111; H Domestic Beneficiary (checked), Foreign Beneficiary

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

Table with 13 rows for income and deductions. Includes categories like Interest income, Ordinary dividends, Net rental real estate income, and Credits and credit recapture. Includes checkboxes for participation in business/rental activities.

**Part III** Beneficiary's Share of Current Year Other Items (continued)

14	Code	Description	Amount
	A	Tax-exempt interest income **	168.
	E	Net investment income	4,832.
	H	Adjustment for net investment income or deduction	24,500.

\*\* Enter state name(s) for code A and additional information for code I directly below.  
 Enter additional information for codes B and C further below.

Additional information:

A	Description	State	Amount
	Tax-exempt interest	CO	168.
	Total		168.
I	Other information (description and amount) *		

\* Manually enter item here and on appropriate tax form or schedule.

**Passive Activity Information**

Passive status . . . . .

Type	Tentative Net Income (Loss)	Suspended Loss Carryover from Prior Year (Enter as Negative)	Net Income (Loss) Allowed	Loss Suspended for Current Year
Regular				
Alternative Minimum				

**Income and Loss Reported on Schedule E, Supplemental Income or Loss**

#	Description	Passive Income and Loss		Nonpassive Income and Loss	
		(c) Loss K-1	(d) Income K-1	(e) Loss K-1	(f) Income K-1
1	A Sally Client Special Needs Trust				

**Box 9 : Allocation of Directly Apportioned Deductions**

	Total	Business or Rental	Other
1 Depreciation . . . . .			
2 Depletion . . . . .			
3 Amortization . . . . .			

**Box 12 : Allocation of Alternative Minimum Tax Adjustments**

	Total	Business or Rental	Other
1 Minimum tax adjustments attributable to income . . . . .			
2 Attributable to directly apportioned deductions:			
a Depreciation . . . . .			
b Depletion . . . . .			
c Amortization . . . . .			

3 Total adjustments for minimum tax purposes . . . . .

**Box 13 : Credits**

Code	Rental Real Estate	Other Rental	Other
<b>C</b> Low-income housing credit:			
1 Buildings placed in service before 2008 . . . . .			
2 Buildings placed in service after 2007 . . . . .			
3 Total low-income housing credit . . . . .			
<b>D</b> Qualified rehabilitation expenditures:			
1 Pre-1936:			
a Gulf Opportunity Zone . . . . .			
b Affected by a Midwestern disaster . . . . .			
c Other . . . . .			
2 Certified historic structures:			
a Gulf Opportunity Zone . . . . .			
b Affected by a Midwestern disaster . . . . .			
c Other . . . . .			
3 Total qualified rehabilitation expenditures . . . . .			
<b>F</b> Work opportunity credit (Form 5884) . . . . .			
<b>G</b> 1 Small employer health insurance (Form 8941-T) . . . . .			
2 Small employer health insurance (Form 8941-S) . . . . .			
<b>H</b> Biofuels producer credit (Form 6478) . . . . .			
<b>I</b> Credit for increasing research activities (Form 3800) . . . . .			
<b>J</b> Renewable electricity production (Form 8835, Part I) . . . . .			
<b>J</b> Renewable electricity production (Form 8835, Part II) . . . . .			
<b>K</b> Empowerment zone, renewal credit (Form 8844) . . . . .			
<b>L</b> Indian employment credit (Form 3800) . . . . .			
<b>M</b> Orphan drug credit (Form 3800) . . . . .			
<b>N</b> Credit for employer provided child care facilities (3800) . . . . .			
<b>O</b> Biodiesel and renewable diesel fuels credit (Form 8864) . . . . .			
<b>P</b> Nonconventional source fuel credit (Form 8907) . . . . .			
<b>Q</b> Credit to holders of tax credit bonds (Form 8912) . . . . .			
<b>R</b> Agricultural chemicals security (8931) . . . . .			
<b>S</b> Energy efficient appliance credit (Form 8909) . . . . .			
<b>T</b> Employer differential wage payments (8932) . . . . .			

For the year Jan. 1–Dec. 31, 2013, or other tax year beginning \_\_\_\_\_, 2013, ending \_\_\_\_\_, 20\_\_\_\_

See separate instructions.

Your first name and initial: **Sally** Last name: **Beneficiary** Your social security number: **555-55-5555**

If a joint return, spouse's first name and initial: \_\_\_\_\_ Last name: \_\_\_\_\_ Spouse's social security number: \_\_\_\_\_

Home address (number and street). If you have a P.O. box, see instructions. **1000 Destitute Way** Apt. no. \_\_\_\_\_

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). **Denver CO 80111**

Foreign country name: \_\_\_\_\_ Foreign province/state/county: \_\_\_\_\_ Foreign postal code: \_\_\_\_\_

▲ Make sure the SSN(s) above and on line 6c are correct.

**Presidential Election Campaign**  
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.  You  Spouse

**Filing Status**

1  Single

2  Married filing jointly (even if only one had income)

3  Married filing separately. Enter spouse's SSN above and full name here. ▶

4  Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶

5  Qualifying widow(er) with dependent child

Check only one box.

**Exemptions**

6a  **Yourself.** If someone can claim you as a dependent, do not check box 6a.

b  **Spouse**

c Dependents:		(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)
(1) First name	Last name			
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

If more than four dependents, see instructions and check here

d Total number of exemptions claimed **1**

Boxes checked on 6a and 6b **1**

No. of children on 6c who:  
• lived with you \_\_\_\_\_  
• did not live with you due to divorce or separation (see instructions) \_\_\_\_\_

Dependents on 6c not entered above \_\_\_\_\_

Add numbers on lines above **1**

**Income**

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	
8a	Taxable interest. Attach Schedule B if required	8a	
b	Tax-exempt interest. Do not include on line 8a	8b	300.
9a	Ordinary dividends. Attach Schedule B if required	9a	14,700.
b	Qualified dividends	9b	14,700.
10	Taxable refunds, credits, or offsets of state and local income taxes	10	
11	Alimony received	11	
12	Business income or (loss). Attach Schedule C or C-EZ	12	
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	
14	Other gains or (losses). Attach Form 4797	14	
15a	IRA distributions	15a	
b	Taxable amount	15b	
16a	Pensions and annuities	16a	
b	Taxable amount	16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	
18	Farm income or (loss). Attach Schedule F	18	
19	Unemployment compensation	19	
20a	Social security benefits	20a	8,544.
b	Taxable amount	20b	0.
21	Other income. List type and amount	21	
22	Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶	22	14,700.

**Adjusted Gross Income**

23	Educator expenses	23	
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24	
25	Health savings account deduction. Attach Form 8889	25	
26	Moving expenses. Attach Form 3903	26	
27	Deductible part of self-employment tax. Attach Schedule SE	27	
28	Self-employed SEP, SIMPLE, and qualified plans	28	
29	Self-employed health insurance deduction	29	
30	Penalty on early withdrawal of savings	30	
31a	Alimony paid	31a	
b	Recipient's SSN ▶		
32	IRA deduction	32	
33	Student loan interest deduction	33	
34	Tuition and fees. Attach Form 8917	34	
35	Domestic production activities deduction. Attach Form 8903	35	
36	Add lines 23 through 35	36	
37	Subtract line 36 from line 22. This is your adjusted gross income ▶	37	14,700.

<b>Tax and Credits</b>	<b>38</b>	Amount from line 37 (adjusted gross income)	<b>38</b>	14,700.
	<b>39a</b>	Check <input type="checkbox"/> You were born before January 2, 1949, <input type="checkbox"/> Blind. <input type="checkbox"/> Spouse was born before January 2, 1949, <input type="checkbox"/> Blind. Total boxes checked <b>▶ 39a</b>		
	<b>b</b>	If your spouse itemizes on a separate return or you were a dual-status alien, check here <b>▶ 39b</b>		
<b>Standard Deduction for—</b>	<b>40</b>	<b>Itemized deductions</b> (from Schedule A) or your <b>standard deduction</b> (see left margin)	<b>40</b>	6,100.
• People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions.	<b>41</b>	Subtract line 40 from line 38	<b>41</b>	8,600.
• All others: Single or Married filing separately, \$6,100	<b>42</b>	<b>Exemptions.</b> If line 38 is \$150,000 or less, multiply \$3,900 by the number on line 6d. Otherwise, see instructions	<b>42</b>	3,900.
Married filing jointly or Qualifying widow(er), \$12,200	<b>43</b>	<b>Taxable income.</b> Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	<b>43</b>	4,700.
Head of household, \$8,950	<b>44</b>	<b>Tax</b> (see instructions). Check if any from: <b>a</b> <input type="checkbox"/> Form(s) 8814 <b>b</b> <input type="checkbox"/> Form 4972 <b>c</b> <input type="checkbox"/>	<b>44</b>	0.
	<b>45</b>	<b>Alternative minimum tax</b> (see instructions). Attach Form 6251	<b>45</b>	
	<b>46</b>	Add lines 44 and 45	<b>46</b>	0.
	<b>47</b>	Foreign tax credit. Attach Form 1116 if required	<b>47</b>	
	<b>48</b>	Credit for child and dependent care expenses. Attach Form 2441	<b>48</b>	
	<b>49</b>	Education credits from Form 8863, line 19	<b>49</b>	
	<b>50</b>	Retirement savings contributions credit. Attach Form 8880	<b>50</b>	
	<b>51</b>	Child tax credit. Attach Schedule 8812, if required	<b>51</b>	
	<b>52</b>	Residential energy credits. Attach Form 5695	<b>52</b>	
	<b>53</b>	Other credits from Form: <b>a</b> <input type="checkbox"/> 3800 <b>b</b> <input type="checkbox"/> 8801 <b>c</b> <input type="checkbox"/>	<b>53</b>	
	<b>54</b>	Add lines 47 through 53. These are your <b>total credits</b>	<b>54</b>	
	<b>55</b>	Subtract line 54 from line 46. If line 54 is more than line 46, enter -0-	<b>55</b>	0.
<b>Other Taxes</b>	<b>56</b>	Self-employment tax. Attach Schedule SE	<b>56</b>	
	<b>57</b>	Unreported social security and Medicare tax from Form: <b>a</b> <input type="checkbox"/> 4137 <b>b</b> <input type="checkbox"/> 8919	<b>57</b>	
	<b>58</b>	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	<b>58</b>	
	<b>59a</b>	Household employment taxes from Schedule H	<b>59a</b>	
	<b>b</b>	First-time homebuyer credit repayment. Attach Form 5405 if required	<b>59b</b>	
	<b>60</b>	Taxes from: <b>a</b> <input type="checkbox"/> Form 8959 <b>b</b> <input type="checkbox"/> Form 8960 <b>c</b> <input type="checkbox"/> Instructions; enter code(s)	<b>60</b>	
	<b>61</b>	Add lines 55 through 60. This is your <b>total tax</b>	<b>61</b>	0.
<b>Payments</b>	<b>62</b>	Federal income tax withheld from Forms W-2 and 1099	<b>62</b>	
	<b>63</b>	2013 estimated tax payments and amount applied from 2012 return	<b>63</b>	
	<b>64a</b>	<b>Earned income credit (EIC)</b>	<b>64a</b>	
	<b>b</b>	Nontaxable combat pay election <b>64b</b>		
	<b>65</b>	Additional child tax credit. Attach Schedule 8812	<b>65</b>	
	<b>66</b>	American opportunity credit from Form 8863, line 8	<b>66</b>	
	<b>67</b>	Reserved	<b>67</b>	
	<b>68</b>	Amount paid with request for extension to file	<b>68</b>	
	<b>69</b>	Excess social security and tier 1 RRTA tax withheld	<b>69</b>	
	<b>70</b>	Credit for federal tax on fuels. Attach Form 4136	<b>70</b>	
	<b>71</b>	Credits from Form: <b>a</b> <input type="checkbox"/> 2439 <b>b</b> <input checked="" type="checkbox"/> Reserved <b>c</b> <input type="checkbox"/> 8885 <b>d</b> <input type="checkbox"/>	<b>71</b>	
	<b>72</b>	Add lines 62, 63, 64a, and 65 through 71. These are your <b>total payments</b>	<b>72</b>	
<b>Refund</b>	<b>73</b>	If line 72 is more than line 61, subtract line 61 from line 72. This is the amount you <b>overpaid</b>	<b>73</b>	
	<b>74a</b>	Amount of line 73 you want <b>refunded to you</b> . If Form 8888 is attached, check here <b>▶</b> <input type="checkbox"/>	<b>74a</b>	
Direct deposit? See instructions.	<b>b</b>	Routing number <input type="checkbox"/> X X X X X X X X X X <b>▶ c</b> Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
	<b>d</b>	Account number <input type="checkbox"/> X X X X X X X X X X <input type="checkbox"/> X X X X X X X X X X		
	<b>75</b>	Amount of line 73 you want <b>applied to your 2014 estimated tax</b> <b>▶</b>	<b>75</b>	
<b>Amount You Owe</b>	<b>76</b>	<b>Amount you owe.</b> Subtract line 72 from line 61. For details on how to pay, see instructions <b>▶</b>	<b>76</b>	0.
	<b>77</b>	Estimated tax penalty (see instructions)	<b>77</b>	

**Standard Deduction for—**

- People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions.
- All others: Single or Married filing separately, \$6,100
- Married filing jointly or Qualifying widow(er), \$12,200
- Head of household, \$8,950

If you have a qualifying child, attach Schedule EIC.

**Third Party Designee** Do you want to allow another person to discuss this return with the IRS (see instructions)?  Yes. Complete below.  No

Designee's name <b>▶</b>	Phone no. <b>▶</b>	Personal identification number (PIN) <b>▶</b>
--------------------------	--------------------	---

**Sign Here** Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature <b>▶</b>	Date	Your occupation None	Daytime phone number
Spouse's signature. If a joint return, <b>both</b> must sign. <b>▶</b>	Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

**Print/Type preparer's name** **Preparer's signature** **Date** **Check  if self-employed** **PTIN**

**Firm's name** **Self-Prepared** **Firm's EIN** **▶**

**Firm's address** **▶** **Phone no.**



**SCHEDULE B**  
**(Form 1040A or 1040)**

**Interest and Ordinary Dividends**

OMB No. 1545-0074

**2013**

Attachment  
Sequence No. **08**

Department of the Treasury  
Internal Revenue Service (99)

▶ Attach to Form 1040A or 1040.

▶ Information about Schedule B (Form 1040A or 1040) and its instructions is at [www.irs.gov/scheduleb](http://www.irs.gov/scheduleb).

Name(s) shown on return

Sally Beneficiary

Your social security number

555-55-5555

**Part I**

**Interest**

**1** List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see instructions on back and list this interest first. Also, show that buyer's social security number and address ▶

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 8a.)

**Note.** If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

- 2** Add the amounts on line 1 . . . . . **2**
- 3** Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815 . . . . . **3**
- 4** Subtract line 3 from line 2. Enter the result here and on Form 1040A, or Form 1040, line 8a . . . . . ▶ **4**

**Note.** If line 4 is over \$1,500, you must complete Part III.

**Amount**

**1**

**2**

**3**

**4**

**Amount**

**Part II**

**Ordinary Dividends**

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 9a.)

**Note.** If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

**5** List name of payer ▶ Sally Client Special Needs Trust

**6** Add the amounts on line 5. Enter the total here and on Form 1040A, or Form 1040, line 9a . . . . . ▶ **6**

14,700.

**5**

**6**

14,700.

**Note.** If line 6 is over \$1,500, you must complete Part III.

You must complete this part if you **(a)** had over \$1,500 of taxable interest or ordinary dividends; **(b)** had a foreign account; or **(c)** received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

**Part III**  
**Foreign Accounts and Trusts**

(See instructions on back.)

- 7a** At any time during 2013, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions . . . . .
- If "Yes," are you required to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), formerly TD F 90-22.1, to report that financial interest or signature authority? See FinCEN Form 114 and its instructions for filing requirements and exceptions to those requirements . . . . .
- b** If you are required to file FinCEN Form 114, enter the name of the foreign country where the financial account is located ▶ . . . . .
- 8** During 2013, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions on back . . . . .

Yes	No
	X
	X

Name(s) Shown on Return  
Sally Beneficiary

Social Security Number  
555-55-5555

Social Security/Railroad Retirement benefits received in 2012

	Taxpayer	Spouse
<b>A</b> Total net benefits from Box 5 of all SSA-1099 forms . . . . .	8,544.	
<b>B</b> Total federal tax withheld from box 6 of all SSA-1099 forms		
<b>C</b> Total Medicare B premiums withheld from all SSA-1099 forms . . . . .		
<b>D</b> Total Medicare C premiums withheld from all SSA-1099 forms . . . . .		
<b>E</b> Total Medicare D premiums withheld from all SSA-1099 forms . . . . .		
<b>Note:</b> If self-employed, Medicare premiums are deductible as Self-Employed Health Insurance. If self-employed, enter premiums on the business activity form (Schedule C, F, etc), not on Lines C, D and E above.		
<b>F</b> Total net benefits from Box 5 of all RRB-1099 forms . . . . .		
<b>G</b> Total federal tax withheld from box 10 of all RRB-1099 forms		
<b>H</b> Total Medicare premiums from Box 11 of all RRB-1099 forms . . . . .		
<b>1</b> Add amounts from line A and line F above. Also enter this amount on Form 1040, line 20a . . . . .	<b>1</b>	8,544.
<b>2</b> Enter one-half of line 1 . . . . .	<b>2</b>	4,272.
<b>3</b> Add the amounts on Form 1040, lines 7 (before adoption benefits exclusion), 8a (before U.S. savings bond interest exclusion), 8b, 9a, 10 through 14, 15b, 16b, 17 through 19, and line 21. Also include certain income of bona fide residents of American Samoa or Puerto Rico. . . . .	<b>3</b>	15,000.
<b>4</b> Enter the total of any exclusions/adjustments for: • Foreign earned income or housing exclusion . . . . .	<b>4</b>	
<b>5</b> Add lines 2, 3, and 4 . . . . .	<b>5</b>	19,272.
<b>6</b> Amount from Form 1040, lines 23 through 32, plus any write-in amounts on line 36 (other than foreign housing deduction). . . . .	<b>6</b>	
<b>7</b> Subtract line 6 from line 5. . . . .	<b>7</b>	19,272.
<b>8</b> Enter \$25,000 (\$32,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 2013) . . . . .	<b>8</b>	25,000.
<b>9</b> Subtract line 8 from line 7. If zero or less, enter -0- . . . . .	<b>9</b>	0.
<b>If line 9 is zero or less, stop here; none of your social security benefits are taxable. Enter -0- on Form 1040, line 20b. If you are married filing separately and you lived apart from your spouse for all of 2013, enter 'D' to the right of the word 'benefits' on line 20a. If line 9 is more than zero, go to line 10.</b>		
<b>10</b> Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 2013) . . . . .	<b>10</b>	
<b>11</b> Subtract line 10 from line 9. If zero or less, enter -0- . . . . .	<b>11</b>	
<b>12</b> Enter the <b>smaller</b> of line 9 or line 10. . . . .	<b>12</b>	
<b>13</b> Enter one-half of line 12. . . . .	<b>13</b>	
<b>14</b> Enter the <b>smaller</b> of line 2 or line 13. . . . .	<b>14</b>	
<b>15</b> Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- . . . . .	<b>15</b>	
<b>16</b> Add lines 14 and 15 . . . . .	<b>16</b>	
<b>17</b> Multiply line 1 by 85% (.85) . . . . .	<b>17</b>	
<b>18</b> Taxable social security benefits. Enter the <b>smaller</b> of line 16 or line 17 . . . . . If prior year lump-sum benefits were received, go to line 19, otherwise, skip line 19 and enter the amount from line 18 on line 20.	<b>18</b>	
<b>19</b> Taxable benefits <b>with</b> lump sum election. Enter the amount from line 20 of the Lump-Sum Social Security Worksheet. . . . .	<b>19</b>	
<b>20</b> Taxable Social Security benefits. Enter the <b>smaller</b> of line 18 or line 19. Also enter this amount on Form 1040, line 20b . . . . .	<b>20</b>	

Form 1041 U.S. Income Tax Return for Estates and Trusts

2013

OMB No. 1545-0092

Department of the Treasury - Internal Revenue Service

Information about Form 1041 and its separate instructions is at www.irs.gov/form1041.

Form header section A through G, including checkboxes for estate type, fiduciary information, and filing status.

Main table with 29 rows for Income, Deductions, and Tax and Payments, including line numbers and amounts.

Sign Here section with signature line, date, and EIN, plus a checkbox for IRS discussion.

Paid Preparer Use Only section with fields for preparer name, signature, date, and firm information.

**Schedule A Charitable Deduction.** Do not complete for a simple trust or a pooled income fund.

1	Amounts paid or permanently set aside for charitable purposes from gross income (see instructions)	1	
2	Tax-exempt income allocable to charitable contributions (see instructions)	2	
3	Subtract line 2 from line 1.	3	
4	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes.	4	
5	Add lines 3 and 4.	5	
6	Section 1202 exclusion allocable to capital gains paid or permanently set aside for charitable purposes (see instructions)	6	
7	<b>Charitable deduction.</b> Subtract line 6 from line 5. Enter here and on page 1, line 13.	7	

**Schedule B Income Distribution Deduction**

1	Adjusted total income (see instructions)	1	0.
2	Adjusted tax-exempt interest	2	0.
3	Total net gain from Schedule D (Form 1041), line 19, column (1) (see instructions)	3	
4	Enter amount from Schedule A, line 4 (minus any allocable section 1202 exclusion).	4	
5	Capital gains for the tax year included on Schedule A, line 1 (see instructions)	5	
6	Enter any gain from page 1, line 4, as a negative number. If page 1, line 4, is a loss, enter the loss as a positive number	6	0.
7	<b>Distributable net income.</b> Combine lines 1 through 6. If zero or less, enter -0-	7	0.
8	If a complex trust, enter accounting income for the tax year as determined under the governing instrument and applicable local law	8	
9	Income required to be distributed currently	9	0.
10	Other amounts paid, credited, or otherwise required to be distributed	10	0.
11	Total distributions. Add lines 9 and 10. If greater than line 8, see instructions	11	0.
12	Enter the amount of tax-exempt income included on line 11.	12	
13	Tentative income distribution deduction. Subtract line 12 from line 11.	13	0.
14	Tentative income distribution deduction. Subtract line 2 from line 7. If zero or less, enter -0-	14	0.
15	<b>Income distribution deduction.</b> Enter the smaller of line 13 or line 14 here and on page 1, line 18.	15	0.

**Schedule C Tax Computation** (see instructions)

1	<b>Tax:</b> a Tax on taxable income (see instructions)	1 a		
	b Tax on lump-sum distributions. Attach Form 4972	1 b		
	c Alternative minimum tax (from Schedule I (Form 1041), line 56)	1 c	0.	
	<b>d Total.</b> Add lines 1a through 1c.	1 d		0.
2 a	Foreign tax credit. Attach Form 1116	2 a		
	b General business credit. Attach Form 3800	2 b		
	c Credit for prior year minimum tax. Attach Form 8801	2 c		
	d Bond credits. Attach Form 8912	2 d		
	<b>e Total credits.</b> Add lines 2a through 2d	2 e		
3	Subtract line 2e from line 1d. If zero or less, enter -0-	3		0.
4	Net investment income tax from Form 8960, line 21.	4		0.
5	Recapture taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611	5		
6	Household employment taxes. Attach Schedule H (Form 1040).	6		
7	<b>Total tax.</b> Add lines 3 through 6. Enter here and on page 1, line 23.	7		0.

**Other Information**

	Yes	No
1 Did the estate or trust receive tax-exempt income? If 'Yes,' attach a computation of the allocation of expenses. Enter the amount of tax-exempt interest income and exempt-interest dividends . . . ▶ \$		
2 Did the estate or trust receive all or any part of the earnings (salary, wages, and other compensation) of any individual by reason of a contract assignment or similar arrangement?		X
3 At any time during the calendar year 2013, did the estate or trust have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country? See the instructions for exceptions and filing requirements for FinCEN Form 114. If 'Yes,' enter the name of the foreign country ▶		X
4 During the tax year, did the estate or trust receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If 'Yes,' the estate or trust may have to file Form 3520. See instructions		X
5 Did the estate or trust receive, or pay, any qualified residence interest on seller-provided financing? If 'Yes,' see the instructions for required attachment . . .		X
6 If this is an estate or a complex trust making the section 663(b) election, check here (see instructions) ▶ <input type="checkbox"/>		
7 To make a section 643(e)(3) election, attach Schedule D (Form 1041), and check here (see instructions) ▶ <input type="checkbox"/>		
8 If the decedent's estate has been open for more than 2 years, attach an explanation for the delay in closing the estate, and check here ▶ <input type="checkbox"/>		
9 Are any present or future trust beneficiaries skip persons? See instructions		X

# Amounts to Allocate to Grantors Worksheet

2013

► Keep for your records

Name Sally Client Special Needs Trust	Employer Identification No. 20-8888888
--	---

**Income** --- **QuickZoom** here to the Grantor Information Statement . . . . . ►

Type of Income	Amount
Interest	4,500.
Dividends	10,000.
Capital Gain Distribution	10,000.

## Deductions

Type of Deduction	Amount
Trustee Fee	5,000.
Attorney Fee	5,000.

## Credits

Type of Credit	Amount

## Other Information

Description	Amount

<b>Deduction Allocation Smart Worksheet</b>			
	(a) Amounts totally allocable to taxable income	(b) Amounts totally allocable to tax-exempt income	(c) Amounts to be allocated between tax-exempt and taxable income
<b>10</b> Interest . . . . .			
<b>a</b> Form 4952 . . . . .			
<b>11</b> Taxes . . . . .			
<b>a</b> Taxes from K-1s . . . . .			
<b>12</b> Fiduciary fees . . . . .			5,000.
<b>14</b> Attorney, account- ant, return pre- parer fees . . . . .			5,000.
<b>15 a</b> Deductions <b>not</b> subject to 2% floor . . . . .			0.
<b>b</b> Deductions subject to 2% floor . . . . .			

<b>Trust Accounting Income Smart Worksheet and Depreciation and Amortization Allocation</b>	
<b>Allocation of Trust Accounting Income Between Beneficiaries and Estate/Trust</b>	
<b>A</b> Tentative trust accounting income . . . . .	0.
<b>Adjustments to Trust Accounting Income</b>	
_____	_____
_____	_____
_____	_____
_____	_____
<b>B</b> Total adjustments to trust accounting income . . . . .	_____
<b>C</b> Final trust accounting income (A + B) . . . . .	0.
Beneficiaries' percent of trust accounting income . . . . .	_____
Estate's or trust's percent of trust accounting income . . . . .	100.00000

For the year Jan. 1–Dec. 31, 2013, or other tax year beginning

, 2013, ending

, 20

See separate instructions.

Your first name and initial Sally

Last name Beneficiary

Your social security number 555-55-5555

If a joint return, spouse's first name and initial

Last name

Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. 1000 Destitute Way

Apt. no.

Make sure the SSN(s) above and on line 6c are correct.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). Denver CO 80111

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. You Spouse

Foreign country name

Foreign province/state/county

Foreign postal code

Filing Status

- 1 Single (checked)
2 Married filing jointly
3 Married filing separately
4 Head of household
5 Qualifying widow(er)

Exemptions

Table with 4 columns: (1) First name, Last name, (2) Dependent's social security number, (3) Dependent's relationship to you, (4) if child under age 17 qualifying for child tax credit.

Boxes checked on 6a and 6b: 1
No. of children on 6c who: lived with you, did not live with you due to divorce or separation.
Add numbers on lines above: 1

Income

Table with 2 columns: Description (lines 7-22) and Amount. Total income: 26,636.

Adjusted Gross Income

Table with 2 columns: Description (lines 23-37) and Amount. Adjusted gross income: 26,636.

Tax and Credits

38 Amount from line 37 (adjusted gross income) 38 26,636.

39a Check  You were born before January 2, 1949,  Blind.  Spouse was born before January 2, 1949,  Blind. Total boxes checked ▶ 39a

b If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ 39b

40 Itemized deductions (from Schedule A) or your standard deduction (see left margin) 40 9,467.

41 Subtract line 40 from line 38 41 17,169.

42 Exemptions. If line 38 is \$150,000 or less, multiply \$3,900 by the number on line 6d. Otherwise, see instructions 42 3,900.

43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- 43 13,269.

44 Tax (see instructions). Check if any from: a  Form(s) 8814 b  Form 4972 c  44 0.

45 Alternative minimum tax (see instructions). Attach Form 6251 45

46 Add lines 44 and 45 46 0.

47 Foreign tax credit. Attach Form 1116 if required 47

48 Credit for child and dependent care expenses. Attach Form 2441 48

49 Education credits from Form 8863, line 19 49

50 Retirement savings contributions credit. Attach Form 8880 50

51 Child tax credit. Attach Schedule 8812, if required 51

52 Residential energy credits. Attach Form 5695 52

53 Other credits from Form: a  3800 b  8801 c  53

54 Add lines 47 through 53. These are your total credits 54

55 Subtract line 54 from line 46. If line 54 is more than line 46, enter -0- ▶ 55 0.

**Standard Deduction for—**

- People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions.
- All others:
  - Single or Married filing separately, \$6,100
  - Married filing jointly or Qualifying widow(er), \$12,200
  - Head of household, \$8,950

Other Taxes

56 Self-employment tax. Attach Schedule SE 56

57 Unreported social security and Medicare tax from Form: a  4137 b  8919 57

58 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required 58

59a Household employment taxes from Schedule H 59a

b First-time homebuyer credit repayment. Attach Form 5405 if required 59b

60 Taxes from: a  Form 8959 b  Form 8960 c  Instructions; enter code(s) 60

61 Add lines 55 through 60. This is your total tax ▶ 61 0.

Payments

If you have a qualifying child, attach Schedule EIC.

62 Federal income tax withheld from Forms W-2 and 1099 62

63 2013 estimated tax payments and amount applied from 2012 return 63

64a Earned income credit (EIC) 64a

b Nontaxable combat pay election 64b

65 Additional child tax credit. Attach Schedule 8812 65

66 American opportunity credit from Form 8863, line 8 66

67 Reserved 67

68 Amount paid with request for extension to file 68

69 Excess social security and tier 1 RRTA tax withheld 69

70 Credit for federal tax on fuels. Attach Form 4136 70

71 Credits from Form: a  2439 b  Reserved c  8885 d  71

72 Add lines 62, 63, 64a, and 65 through 71. These are your total payments ▶ 72

Refund

Direct deposit? See instructions.

73 If line 72 is more than line 61, subtract line 61 from line 72. This is the amount you overpaid 73

74a Amount of line 73 you want refunded to you. If Form 8888 is attached, check here ▶  74a

b Routing number  X X X X X X X X X X ▶ c Type:  Checking  Savings

d Account number  X X X X X X X X X X  X X X X X X X X X X

75 Amount of line 73 you want applied to your 2014 estimated tax ▶ 75

Amount You Owe

76 Amount you owe. Subtract line 72 from line 61. For details on how to pay, see instructions ▶ 76 0.

77 Estimated tax penalty (see instructions) 77

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)?  Yes. Complete below.  No

Designee's name ▶ Phone no. ▶ Personal identification number (PIN) ▶

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records.

Your signature Date Your occupation None Daytime phone number

Spouse's signature. If a joint return, both must sign. Date Spouse's occupation If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Paid Preparer Use Only

Print/Type preparer's name Preparer's signature Date Check  if self-employed PTIN

Firm's name ▶ Self-Prepared Firm's EIN ▶

Firm's address ▶ Phone no. ▶



**SCHEDULE A  
(Form 1040)**

**Itemized Deductions**

OMB No. 1545-0074

**2013**

Attachment  
Sequence No. **07**

Department of the Treasury  
Internal Revenue Service (99)

► Information about Schedule A and its separate instructions is at [www.irs.gov/schedulea](http://www.irs.gov/schedulea).

► Attach to Form 1040.

Name(s) shown on Form 1040

Your social security number

Sally Beneficiary

555-55-5555

**Caution.** Do not include expenses reimbursed or paid by others.

<b>Medical and Dental Expenses</b>	<b>1</b> Medical and dental expenses (see instructions) . . . . .	<b>1</b>		
	<b>2</b> Enter amount from Form 1040, line 38 <b>2</b>			
	<b>3</b> Multiply line 2 by 10% (.10). But if either you or your spouse was born before January 2, 1949, multiply line 2 by 7.5% (.075) instead	<b>3</b>		
	<b>4</b> Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		<b>4</b>	
<b>Taxes You Paid</b>	<b>5</b> State and local (check only one box): a <input type="checkbox"/> Income taxes, or b <input type="checkbox"/> General sales taxes	<b>5</b>		
	<b>6</b> Real estate taxes (see instructions)	<b>6</b>		
	<b>7</b> Personal property taxes	<b>7</b>		
	<b>8</b> Other taxes. List type and amount ►	<b>8</b>		
	<b>9</b> Add lines 5 through 8		<b>9</b>	
<b>Interest You Paid</b>	<b>10</b> Home mortgage interest and points reported to you on Form 1098	<b>10</b>		
	<b>11</b> Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ►	<b>11</b>		
	<b>12</b> Points not reported to you on Form 1098. See instructions for special rules	<b>12</b>		
	<b>13</b> Mortgage insurance premiums (see instructions)	<b>13</b>		
	<b>14</b> Investment interest. Attach Form 4952 if required. (See instructions.)	<b>14</b>		
	<b>15</b> Add lines 10 through 14		<b>15</b>	
<b>Gifts to Charity</b>	<b>16</b> Gifts by cash or check. If you made any gift of \$250 or more, see instructions.	<b>16</b>		
	<b>17</b> Other than by cash or check. If any gift of \$250 or more, see instructions. You <b>must</b> attach Form 8283 if over \$500	<b>17</b>		
	<b>18</b> Carryover from prior year	<b>18</b>		
	<b>19</b> Add lines 16 through 18		<b>19</b>	
<b>Casualty and Theft Losses</b>	<b>20</b> Casualty or theft loss(es). Attach Form 4684. (See instructions.)			<b>20</b>
<b>Job Expenses and Certain Miscellaneous Deductions</b>	<b>21</b> Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ►	<b>21</b>		
	<b>22</b> Tax preparation fees	<b>22</b>		
	<b>23</b> Other expenses—investment, safe deposit box, etc. List type and amount ► See Schedule A, Line 23 Statement	<b>23</b>	10,000.	
	<b>24</b> Add lines 21 through 23	<b>24</b>	10,000.	
	<b>25</b> Enter amount from Form 1040, line 38 <b>25</b> 26,636.			
	<b>26</b> Multiply line 25 by 2% (.02)	<b>26</b>	533.	
	<b>27</b> Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-			<b>27</b> 9,467.
<b>Other Miscellaneous Deductions</b>	<b>28</b> Other—from list in instructions. List type and amount ►			<b>28</b>
<b>Total Itemized Deductions</b>	<b>29</b> Is Form 1040, line 38, over \$150,000? <input checked="" type="checkbox"/> <b>No.</b> Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40. <input type="checkbox"/> <b>Yes.</b> Your deduction may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter.			<b>29</b> 9,467.
	<b>30</b> If you elect to itemize deductions even though they are less than your standard deduction, check here			

Name(s) Shown on Return <u>Sally Beneficiary</u>	Social Security Number <u>555-55-5555</u>
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**Employee Business Expenses – Subject to 2% Limitation**

1	Deductible expenses from Form 2106, line 10 less deductions for performing artists and armed forces reservists claimed elsewhere . . . . .	1	
2 a	Qualified Educator Expenses (from Educator Expenses Worksheet) . . . . .	2a	
b	Educator Expense Deduction (from 1040, line 23) . . . . .	2b	
c	Excess Educator Expenses (line 2a less line 2b). . . . .	2c	
3	Union and professional dues . . . . .	3	
4	Professional subscriptions . . . . .	4	
5	Uniforms and protective clothing . . . . .	5	
6	Job search costs . . . . .	6	
7	Other: _____ _____	7	
8	Combine lines 1 through 7 (to Schedule A, line 21). . . . .	8	

**Miscellaneous Expenses – Subject to 2% Limitation**

Check the box in investment column if an investment expense

Investment expense ↓

9	Depreciation and amortization deductions . . . . .	<input checked="" type="checkbox"/>	9	
10	Casualty/theft losses of property used in services as an employee . . . . .		10	
11	REMIC expenses, from Schedule E . . . . .	<input checked="" type="checkbox"/>	11	
12	Investment expenses related to interest and dividend income . . . . .	<input checked="" type="checkbox"/>	12	
13	Expenses related to portfolio income, from Schedule(s) K-1 . . . . .	<input checked="" type="checkbox"/>	13	
14	Miscellaneous deductions, from Schedule(s) K-1 . . . . .		14	
15	Excess deductions on termination, from Schedule(s) K-1 . . . . .		15	
16	Investment counsel and advisory fees . . . . .	<input checked="" type="checkbox"/>	16	
17	Certain attorney and accounting fees . . . . .	<input checked="" type="checkbox"/>	17	5,000.
18	Safe deposit box rental fees . . . . .	<input checked="" type="checkbox"/>	18	
19	IRA custodial fees . . . . .	<input checked="" type="checkbox"/>	19	
20	Loss incurred from total distribution of all traditional IRAs . . . . .		20	
21	Loss incurred from total distribution of all Roth IRAs . . . . .		21	
22	Hobby expense (limited to hobby income). . . . .		22	
23	Other: Trustee Fee _____		23	5,000.
24	Combine lines 9 through 23 (to Schedule A, line 23) . . . . .		24	10,000.

**Other Miscellaneous Deductions – Not Subject to 2% Limitation**

25	Expenses related to portfolio income, from Schedule(s) K-1 . . . . .	<input checked="" type="checkbox"/>	25	
26	Federal estate tax paid on decedent's income reported on this return . . . . .		26	
27	Impairment-related expenses of a handicapped employee, from Form 2106 . . . . .		27	
28	Amortizable bond premiums on bonds acquired before 10/23/86 . . . . .		28	
29	Gambling losses . . . . .		29	
30	Deduction for repayment of amounts under claim of right if over \$3,000 . . . . .		30	
31	Casualty/theft losses of income-producing property . . . . .		31	
32	Unrecovered investment in annuity . . . . .		32	
33	Combine lines 25 through 32 (to Schedule A, line 28) . . . . .		33	

**SCHEDULE B**  
(Form 1040A or 1040)

**Interest and Ordinary Dividends**

OMB No. 1545-0074

**2013**  
Attachment  
Sequence No. **08**

Department of the Treasury  
Internal Revenue Service (99)

▶ Attach to Form 1040A or 1040.

▶ Information about Schedule B (Form 1040A or 1040) and its instructions is at [www.irs.gov/scheduleb](http://www.irs.gov/scheduleb).

Name(s) shown on return

Sally Beneficiary

Your social security number

555-55-5555

**Part I**

**Interest**

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 8a.)

**Note.** If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

**1** List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see instructions on back and list this interest first. Also, show that buyer's social security number and address ▶

Sally Client Special Needs Trust

**Amount**

4,500.

**2** Add the amounts on line 1 . . . . .

4,500.

**3** Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815 . . . . .

**4** Subtract line 3 from line 2. Enter the result here and on Form 1040A, or Form 1040, line 8a . . . . . ▶

4,500.

**Note.** If line 4 is over \$1,500, you must complete Part III.

**Part II**

**Ordinary Dividends**

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 9a.)

**Note.** If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

**5** List name of payer ▶ Sally Client Special Needs Trust  
Sally Client Special Needs Trust

10,000.

**6** Add the amounts on line 5. Enter the total here and on Form 1040A, or Form 1040, line 9a . . . . . ▶

10,000.

**Note.** If line 6 is over \$1,500, you must complete Part III.

You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

**Part III**  
**Foreign Accounts and Trusts**

(See instructions on back.)

**7a** At any time during 2013, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions . . . . .

If "Yes," are you required to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), formerly TD F 90-22.1, to report that financial interest or signature authority? See FinCEN Form 114 and its instructions for filing requirements and exceptions to those requirements . . . . .

**b** If you are required to file FinCEN Form 114, enter the name of the foreign country where the financial account is located ▶

**8** During 2013, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions on back . . . . .

Yes	No
	X
	X

**Part III Summary**

<p><b>16</b> Combine lines 7 and 15 and enter the result . . . . .</p>	<b>16</b>	10,000.
<ul style="list-style-type: none"> <li>• If line 16 is a <b>gain</b>, enter the amount from line 16 on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 17 below.</li> <li>• If line 16 is a <b>loss</b>, skip lines 17 through 20 below. Then go to line 21. Also be sure to complete line 22.</li> <li>• If line 16 is <b>zero</b>, skip lines 17 through 21 below and enter -0- on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 22.</li> </ul>		
<p><b>17</b> Are lines 15 and 16 <b>both</b> gains?  <input checked="" type="checkbox"/> <b>Yes.</b> Go to line 18.  <input type="checkbox"/> <b>No.</b> Skip lines 18 through 21, and go to line 22.</p>		
<p><b>18</b> Enter the amount, if any, from line 7 of the <b>28% Rate Gain Worksheet</b> in the instructions . . . ▶</p>	<b>18</b>	
<p><b>19</b> Enter the amount, if any, from line 18 of the <b>Unrecaptured Section 1250 Gain Worksheet</b> in the instructions . . . . . ▶</p>	<b>19</b>	
<p><b>20</b> Are lines 18 and 19 <b>both</b> zero or blank?  <input checked="" type="checkbox"/> <b>Yes.</b> Complete the <b>Qualified Dividends and Capital Gain Tax Worksheet</b> in the instructions for Form 1040, line 44 (or in the instructions for Form 1040NR, line 42). <b>Do not</b> complete lines 21 and 22 below.   <input type="checkbox"/> <b>No.</b> Complete the <b>Schedule D Tax Worksheet</b> in the instructions. <b>Do not</b> complete lines 21 and 22 below.</p>		
<p><b>21</b> If line 16 is a loss, enter here and on Form 1040, line 13, or Form 1040NR, line 14, the <b>smaller</b> of:          • The loss on line 16 or          • (\$3,000), or if married filing separately, (\$1,500) } . . . . .</p>	<b>21</b>	( )
<p><b>Note.</b> When figuring which amount is smaller, treat both amounts as positive numbers.</p>		
<p><b>22</b> Do you have qualified dividends on Form 1040, line 9b, or Form 1040NR, line 10b?   <input type="checkbox"/> <b>Yes.</b> Complete the <b>Qualified Dividends and Capital Gain Tax Worksheet</b> in the instructions for Form 1040, line 44 (or in the instructions for Form 1040NR, line 42).   <input type="checkbox"/> <b>No.</b> Complete the rest of Form 1040 or Form 1040NR.</p>		

**SCHEDULE D  
(Form 1040)**

**Capital Gains and Losses**

OMB No. 1545-0074

Department of the Treasury  
Internal Revenue Service (99)

▶ Attach to Form 1040 or Form 1040NR.  
▶ Information about Schedule D and its separate instructions is at [www.irs.gov/scheduled](http://www.irs.gov/scheduled).  
▶ Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.

**2013**  
Attachment  
Sequence No. 12

Name(s) shown on return

Sally Beneficiary

Your social security number

555-55-5555

**Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less**

See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
<b>1a</b> Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b .				
<b>1b</b> Totals for all transactions reported on Form(s) 8949 with <b>Box A</b> checked . . . . .				
<b>2</b> Totals for all transactions reported on Form(s) 8949 with <b>Box B</b> checked . . . . .				
<b>3</b> Totals for all transactions reported on Form(s) 8949 with <b>Box C</b> checked . . . . .				
<b>4</b> Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824 . . . . .				<b>4</b>
<b>5</b> Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 . . . . .				<b>5</b>
<b>6</b> Short-term capital loss carryover. Enter the amount, if any, from line 8 of your <b>Capital Loss Carryover Worksheet</b> in the instructions . . . . .				<b>6</b> ( )
<b>7 Net short-term capital gain or (loss).</b> Combine lines 1a through 6 in column (h). If you have any long-term capital gains or losses, go to Part II below. Otherwise, go to Part III on the back . . . . .				<b>7</b>

**Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year**

See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
<b>8a</b> Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b .				
<b>8b</b> Totals for all transactions reported on Form(s) 8949 with <b>Box D</b> checked . . . . .	10,000.	0.		10,000.
<b>9</b> Totals for all transactions reported on Form(s) 8949 with <b>Box E</b> checked . . . . .				
<b>10</b> Totals for all transactions reported on Form(s) 8949 with <b>Box F</b> checked . . . . .				
<b>11</b> Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824 . . . . .				<b>11</b>
<b>12</b> Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 . . . . .				<b>12</b>
<b>13</b> Capital gain distributions. See the instructions . . . . .				<b>13</b>
<b>14</b> Long-term capital loss carryover. Enter the amount, if any, from line 13 of your <b>Capital Loss Carryover Worksheet</b> in the instructions . . . . .				<b>14</b> ( )
<b>15 Net long-term capital gain or (loss).</b> Combine lines 8a through 14 in column (h). Then go to Part III on the back . . . . .				<b>15</b> 10,000.

Name(s) Shown on Return  
Sally Beneficiary

Social Security Number  
555-55-5555

Social Security/Railroad Retirement benefits received in 2012 . . . . . ▶

	Taxpayer	Spouse
<b>A</b> Total net benefits from Box 5 of all <b>SSA-1099</b> forms . . . . .	8,544.	
<b>B</b> Total federal tax withheld from box 6 of all <b>SSA-1099</b> forms . . . . .		
<b>C</b> Total Medicare B premiums withheld from all <b>SSA-1099</b> forms . . . . .		
<b>D</b> Total Medicare C premiums withheld from all <b>SSA-1099</b> forms . . . . .		
<b>E</b> Total Medicare D premiums withheld from all <b>SSA-1099</b> forms . . . . .		
<b>Note:</b> If self-employed, Medicare premiums are deductible as Self-Employed Health Insurance. If self-employed, enter premiums on the business activity form (Schedule C, F, etc), not on Lines C, D and E above.		
<b>F</b> Total net benefits from Box 5 of all <b>RRB-1099</b> forms . . . . .		
<b>G</b> Total federal tax withheld from box 10 of all <b>RRB-1099</b> forms . . . . .		
<b>H</b> Total Medicare premiums from Box 11 of all <b>RRB-1099</b> forms . . . . .		
<b>1</b> Add amounts from line A and line F above. Also enter this amount on Form 1040, line 20a . . . . .	<b>1</b>	8,544.
<b>2</b> Enter one-half of line 1 . . . . .	<b>2</b>	4,272.
<b>3</b> Add the amounts on Form 1040, lines 7 (before adoption benefits exclusion), 8a (before U.S. savings bond interest exclusion), 8b, 9a, 10 through 14, 15b, 16b, 17 through 19, and line 21. Also include certain income of bona fide residents of American Samoa or Puerto Rico. . . . .	<b>3</b>	25,000.
<b>4</b> Enter the total of any exclusions/adjustments for: • Foreign earned income or housing exclusion . . . . .	<b>4</b>	
<b>5</b> Add lines 2, 3, and 4 . . . . .	<b>5</b>	29,272.
<b>6</b> Amount from Form 1040, lines 23 through 32, plus any write-in amounts on line 36 (other than foreign housing deduction). . . . .	<b>6</b>	
<b>7</b> Subtract line 6 from line 5. . . . .	<b>7</b>	29,272.
<b>8</b> Enter \$25,000 (\$32,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 2013) . . . . .	<b>8</b>	25,000.
<b>9</b> Subtract line 8 from line 7. If zero or less, enter -0- . . . . .	<b>9</b>	4,272.
<b>If line 9 is zero or less, stop here; none of your social security benefits are taxable. Enter -0- on Form 1040, line 20b. If you are married filing separately and you lived apart from your spouse for all of 2013, enter 'D' to the right of the word 'benefits' on line 20a. If line 9 is more than zero, go to line 10.</b>		
<b>10</b> Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 2013) . . . . .	<b>10</b>	9,000.
<b>11</b> Subtract line 10 from line 9. If zero or less, enter -0- . . . . .	<b>11</b>	0.
<b>12</b> Enter the <b>smaller</b> of line 9 or line 10. . . . .	<b>12</b>	4,272.
<b>13</b> Enter one-half of line 12. . . . .	<b>13</b>	2,136.
<b>14</b> Enter the <b>smaller</b> of line 2 or line 13. . . . .	<b>14</b>	2,136.
<b>15</b> Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- . . . . .	<b>15</b>	0.
<b>16</b> Add lines 14 and 15. . . . .	<b>16</b>	2,136.
<b>17</b> Multiply line 1 by 85% (.85) . . . . .	<b>17</b>	7,262.
<b>18</b> Taxable social security benefits. Enter the <b>smaller</b> of line 16 or line 17 . . . . . If prior year lump-sum benefits were received, go to line 19, otherwise, skip line 19 and enter the amount from line 18 on line 20.	<b>18</b>	2,136.
<b>19</b> Taxable benefits <b>with</b> lump sum election. Enter the amount from line 20 of the Lump-Sum Social Security Worksheet. . . . .	<b>19</b>	
<b>20</b> Taxable Social Security benefits. Enter the <b>smaller</b> of line 18 or line 19. Also enter this amount on Form 1040, line 20b . . . . .	<b>20</b>	2,136.