

# 2018

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

### Filing Form 1040

Department of the Treasury  
Internal Revenue Service

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

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

#### Future Developments

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

#### What's New

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

#### Qualified business income deduction.

For tax years beginning after 2017, individuals, estates, and trusts may be entitled to a deduction of up to 20% of their qualified business income from a qualified trade or business, plus 20% of the aggregate amount of qualified real estate investment trust (REIT) dividends and qualified publicly traded partnership (PTP) income. For more information, see section 199A and Pub. 535, Business Expenses. The deduction for qualified business income is reported in box 14, Other Information, code I.

#### Global Intangible Low-Taxed Income (GILTI).

Public Law 115-97, enacted new section 951A, which requires U.S. shareholders of controlled foreign corporations to determine and include their GILTI in taxable income every year. See section 951A for more information, and box 14, Other Information, code Z, for reporting requirements.

**Section 965.** Section 965 was amended requiring certain taxpayers to include in income a section 965(a) inclusion based on the accumulated post-1986 deferred foreign income of certain foreign corporations due to ownership of deferred foreign income corporations (DFICs) through U.S. shareholder pass-through entities. Section 965 also allows for a corresponding section 965(c) deduction.

See box 14, Other Information, code Z, for reporting requirements.

**Domestic Production Activities Deduction (DPAD).** The DPAD has been repealed for tax years beginning after 2017, with limited exceptions.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

#### Business interest expense limitation.

Every taxpayer who deducts business interest is required to file Form 8990, Limitation on Business Interest Expense Under Section 163(j), unless an exception for filing is met. For more information, see Form 8990 and its instructions. See box 14, Other Information, code Z, for details.

#### Reminders

##### Beneficiary's identification number.

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

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

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

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

## General Instructions

### Purpose of Form

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

### Inconsistent Treatment of Items

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

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

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

### Errors

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

### Beneficiaries of Generation-Skipping Trusts

If you received Form 706-GS(D-1), Notification of Distribution From a

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

## Specific Instructions

### Part I - Information About the Estate or Trust

#### Item E

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

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

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

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

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

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

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

#### Box 1 - Interest

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

#### Box 2a - Ordinary Dividends

This box reports the beneficiary's share of ordinary dividends. This amount is

reported on line 3b of Form 1040 and Schedule B, Part II, line 5, if applicable.

#### Box 2b - Qualified Dividends

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

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

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

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

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

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

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

#### Box 5 - Other Portfolio and Nonbusiness Income

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

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

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

Any losses reported in boxes 6 through 8 may be subject to the passive loss limitations of section 469, which generally limits deducting passive losses only from passive activity income. The rules for applying these limitations to beneficiaries haven't yet been issued. For more details, see Pub. 925, Passive Activity and At-Risk Rules.

#### Box 9 - Directly Apportioned Deductions

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

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

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

#### Box 11, Code A - Excess Deductions on Termination

If this is the final return of the estate or trust, and there are excess deductions on termination, you may deduct the beneficiary's share of the excess deductions on line 16 of Schedule A (Form 1040).

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

#### Box 11, Codes B and C - Unused Capital Loss Carryover

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

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

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

line 16 of the Unrecaptured Section 1250 Gain Worksheet for Schedule D, line 19.

### Box 11, Codes D and E - NOL Carryover

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

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

### Box 12 - Alternative Minimum Tax Items

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

**Codes B through F.** If you have an amount in box 12 with code B, C, D, E, or F, see the instructions for lines 13, 14, and 15 of Form 6251.

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

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

### Box 13 - Credits and Credit Recapture

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

Generally, you must file the source credit form along with Form 3800, General Business Credit, to claim the general business credits listed on Schedule K-1 (Form 1041), codes C through Q and code Z. However, if your only source for the credits listed on Form 3800, Part III, is from pass-through entities, you may not be required to complete the source credit form. Instead, you may be able to report the credit directly on Form 3800. See below for the instructions for specific credits.

#### Code A. Credit for estimated taxes.

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

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

#### Code B. Credit for backup withholding.

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

#### Code C. Low-income housing credit.

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

#### Code D. Rehabilitation credit and energy credit.

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

#### Code E. Other qualifying investment credit.

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

#### Code H. Biofuel producer credit.

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

#### Code J. Renewable electricity, refined coal, and Indian coal production credit.

The fiduciary must provide you with a statement showing the amount of credit to report on Form 8835, line 19 (including the allocation of the credit for production during the 4-year period beginning on the date the facility was placed in service and for production after that period). If your only source for the credit is a pass-through entity, you can report the amount from line 19 directly on Form 3800, Part III, lines

1f and 4e, as applicable. Otherwise, complete Form 8835 as directed.

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

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

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

### Box 14 - Other Information

#### Code F. Gross farming and fishing income.

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

#### Code H. Net investment income tax.

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

#### Code I. Qualified business income,

**section 199A.** Generally, you are allowed a deduction of up to 20% of your net qualified business income plus 20% of your qualified REIT dividends and qualified publicly traded partnership (PTP) income distributed from the estate or trust. The estate or trust will provide you a statement with the information you need to figure your deduction, including your qualified business income, W-2 wages from qualified trade or business, unadjusted basis immediately after acquisition (UBIA) of qualified property, section 199A REIT dividends, and the qualified publicly traded partnership (PTP) income.

Once you have this information, you will use one of two worksheets to help you figure your qualified business income deduction.

1. Use the Qualified Business Income-Simplified Worksheet, included in the Instructions for Form 1040 if:

a. You have qualified business income, REIT dividends, or PTP income, and

b. Your 2018 taxable income before the qualified business income deduction doesn't exceed \$157,500 (\$315,000 if married filing jointly), and

c. You aren't a patron in a specified agricultural or horticultural cooperative.

2. Use the worksheet in Pub. 535 if you don't meet all three of these requirements.

**Qualified business income.** The fiduciary will provide you with a statement with the information that you must use to figure your deduction for qualified business income. Use the appropriate worksheet to report your portion of qualified business income.

- Simplified Worksheet, line 1. See the Instructions for Form 1040.
- Pub. 535 Worksheet. If a specified service trade or business, see Schedule A; if you are electing to aggregate this trade or business with another, see Schedule B; if any of your qualified trades or businesses generated a net loss, see Schedule C; otherwise enter information on lines 1 and 2.

**W-2 wages from qualified trade or business.** Report the portion of Form W-2 wages reported to you by the fiduciary on the appropriate worksheet .

- Simplified Worksheet. This item is not required to be reported. See the Instructions for Form 1040.
- Pub. 535 Worksheet. If a specified service trade or business, see Schedule A; if you are electing to aggregate this trade or business with another, see Schedule B; otherwise enter on line 4.

**Unadjusted basis immediately after acquisition (UBIA) of qualified property.** Report the portion of unadjusted basis of qualified property reported to you by the fiduciary on the appropriate worksheet.

- Simplified Worksheet. This item is not required to be reported. See the Instructions for Form 1040.

- Pub. 535 Worksheet. If a specified service trade or business, see Schedule A; if you are electing to aggregate this trade or business with another, see Schedule B; otherwise enter on line 7.

**Section 199A REIT dividends.**

Report the portion of qualified REIT dividends reported to you by the fiduciary on the appropriate worksheet.

- Simplified Worksheet, line 6. See the Instructions for Form 1040.
- Pub. 535 Worksheet, line 28. See Pub. 535.

**Qualified publicly traded partnership (PTP) income.** Report the portion of qualified PTP income reported to you by the fiduciary on the appropriate worksheet.

- Simplified Worksheet, line 6. See the Instructions for Form 1040.
- Pub. 535 Worksheet, line 28. See Pub. 535.

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

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

The fiduciary will provide you the information that you need to figure your section 951A income. Report your section 951A income on Schedule 1 (Form 1040), line 21, or the comparable line of your income tax return. For details, see the Instructions for Form 8992.

Your distributive share of the net amount of section 965(a) inclusion less the corresponding section 965(c) deduction should be reported in box 14,

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

The domestic production activities deduction (DPAD) was repealed for tax years beginning after 2017, with limited exceptions. If your tax year begins after 2017, and you are a recipient of the DPAD from an estate or trust with a tax year beginning before 2018, the DPAD can be taken. See Form 8903, Domestic Productions Activities Deduction, and its instructions for details.

If the estate or trust is a patron of an agricultural or horticultural cooperative, you must compute your patron reduction using Schedule D in Pub. 535. You may also be allowed a domestic production activities deduction, if one is passed through the cooperative, to the estate or trust, to you. See section 199A(g)(2) and Pub. 535 for more information.

If any of the income is oil-related qualified production activities income (QPAI), the fiduciary must give you a statement that shows the amount. Enter the oil-related amount on Form 8903, line 7, col. (a). Enter the total of amount of QPAI on Form 8903, line 7, col.(b).

If an estate or trust is required to file Form 8990, the adjusted taxable income of an estate or trust beneficiary is reduced by any income (including any distributable net income) received from the estate or trust by the beneficiary to the extent such income supported a deduction for business interest expense under section 163(j)(1)(B) in computing the estate's or trust's taxable income. If applicable, the fiduciary will provide you the necessary information to calculate this amount in an attachment to Schedule K-1.

## 022 2018 Beneficiary's Instructions for Schedule K-1 (541)

829201 11-27-18

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2015**, and to the California Revenue and Taxation Code (R&TC).

### General Information

In general, for taxable years beginning on or after January 1, 2015, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2015. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

The instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the instructions. Taxpayers should not consider the instructions as authoritative law.

### Purpose

The estate or trust uses Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc., to report your share of the estate's or trust's income, deductions, credits, etc. Your name, address, and tax identification number, as well as the estate's or trust's name, address, and tax identification number, should be entered on the Schedule K-1 (541). Keep Schedule K-1 (541) for your records. **Do not** file it with your tax return. The estate or trust has filed a copy with the Franchise Tax Board (FTB).

You are subject to tax on your share of the estate's or trust's income, and you must include your share on your individual tax return.

Schedule K-1 (541), column (b) shows amounts from your federal Schedule K-1 (Form 1041), Beneficiary's Share of Income, Deductions, Credits, etc. Column (c) shows the difference between federal and California amounts. Column (d) shows your total amounts using California law by combining column (b) and column (c). Column (e) shows your income and loss from California sources.

Generally, the amount of loss and deduction you may claim on your tax return is limited to your share of the estate or trust and the amount for which you are considered at-risk. If you have losses, deductions, or credits from a passive activity, you must also apply the passive activity rules. It is the beneficiary's responsibility to consider and apply any applicable limitations.

California law is generally the same as federal law with regard to income, the character of income, allocation of deductions, gifts, and bequests, and past years. Follow the instructions for federal Schedule K-1 (Form 1041) for these items.

Generally, you must report items shown on your Schedule K-1 (541) (and any attached schedules) the same way that the estate or trust treated the items on its tax return. If the treatment on your original or amended tax return is inconsistent with the estate's or trust's treatment, or if the estate or trust was required to but has not filed a tax return, you must attach a statement identifying the inconsistency. Beneficiaries may be liable for negligence penalties and penalties relating to mathematical errors if they cannot demonstrate that their treatment is consistent with the estate or trust.

Beneficiaries of estates and trusts include in their gross income their distributive share of the fiduciary's income distribution deduction for the taxable year. Amounts that are distributed by an estate or trust and that are not deductible in computing the entity's taxable income (i.e., distributions of corpus or tax-exempt income) usually are not taxable to the beneficiary.

Resident beneficiaries are taxed on income distributed or distributable from all sources. Nonresident beneficiaries are taxed only on income distributed or distributable that is derived from sources within California (R&TC Section 17953).

For purposes of this section, the nonresident beneficiary is deemed the owner of intangible personal property from which the income of the estate or trust is derived. Therefore, such income is taxed at the beneficiary's domicile.

The estate or trust will attach a schedule of intangible income, such as income from stocks, bonds, bank accounts, and notes, whose source is dependent upon the residence or commercial domicile of the taxpayer. The income on this schedule is not income from California sources for nonresidents but is income sourced at the beneficiary's state of residence or commercial domicile.

### Specific Line Instructions

If you are a nonresident beneficiary, the California source amounts in column (e) will help you identify the California source adjusted gross income that must be reported on your Schedule CA (540NR), California Adjustments - Nonresidents or Part-Year Residents, column E.

Part-year residents may be required to calculate their IRC Section 652 or 662 income in a manner that produces a different result than the amounts shown in column (e) of this form. For more information, get FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency.

#### Line 3 through Line 12

You must report the amounts in column (c), adjustments, that are from **nonpassive** activities on the appropriate California form or schedule as explained in these instructions.

Report the amounts in column (d), total amounts using California law, that are from **passive** activities on the appropriate California form or schedule. Get form FTB 3801, Passive Activity

Loss Limitations, to transfer those amounts and to figure the amount of your passive activity loss limitation. Carry the passive activity amounts to the California form or schedule to figure your California adjustment amount. Enter this adjustment amount on the corresponding line on Schedule CA (540 or 540NR) only if there is a federal/California difference.

If there is no California form or schedule on which to compute your passive activity loss adjustment amount (i.e., rental loss from passive activities), you may figure the adjustment amount on the California Adjustment Worksheets in the instructions for form FTB 3801. Enter the total of your adjustments from these worksheets from all passive activities on Schedule CA (540), Part I, line 17 or Schedule CA (540NR), Part II, line 17, column B or column C, whichever is appropriate.

#### Line 1 - Interest

If you have an amount on Schedule K-1 (541), line 1, column (c), report this amount on Schedule CA (540), Part I, line 2 or Schedule CA (540NR), Part II, line 2, column B or column C, whichever is applicable.

#### Line 2 - Dividends

If you have an amount on Schedule K-1 (541), line 2, column (c), report this amount on Schedule CA (540), Part I, line 3, or Schedule CA (540NR), Part II, line 3, column B or column C, whichever is applicable.

#### Line 3 - Net capital gain or (loss)

If you have an amount on Schedule K-1 (541), line 3, column (d), report this amount on Schedule D (540 or 540NR), California Capital Gain or Loss Adjustment, line 2, column (d) or column (e), whichever is applicable.

If there is an attachment to Schedule K-1 (541) that reports the disposition of a passive activity, get form FTB 3801 for more information.

#### Line 5 - Other portfolio and nonbusiness income

If you have an amount on Schedule K-1 (541), line 5, column (c), report this amount on Schedule CA (540), Part I, line 17 or Schedule CA (540NR), Part II, line 17, column B or column C, whichever is applicable.

#### Line 6 through Line 8 - Ordinary business, net rental real estate, and other rental income

Read the instructions below before including any amounts shown on Schedule K-1 (541), line 6, on Schedule CA (540), Part I, line 17, or Schedule CA (540NR), Part II, line 17.

**Passive activities:** The deductions on line 6 may be subject to the passive loss limitation rules. In general, losses from passive activities are allowed only to the extent of income from passive activities.

If your passive activity deductions exceed your passive activity income, or you have passive activity losses from any other source, you must use form FTB 3801 to figure your losses allowed from all passive activities.

**Line 9a through Line 9c - Depreciation, depletion, and amortization**

Any directly apportionable deduction, such as depreciation, is treated by the beneficiary as having been incurred in the same activity as incurred by the estate or trust. The estate or trust should provide you with a schedule showing your share of directly apportionable deductions derived from each activity reported on line 5 through line 8.

**Line 11a - Excess deductions on termination**

If you have an amount on Schedule K-1 (541), line 11a, column (c), report this amount as a positive or negative amount on Schedule CA (540), Part II, line 21 or Schedule CA (540NR) Part III, line 21, whichever is applicable.

**Line 11b - Capital loss carryover**

If you have an amount on Schedule K-1 (541), line 11b, column (c) report the amount on Schedule D (540 or 540NR), line 6.

**Line 11c and Line 11d - Net operating loss (NOL) carryover**

Upon termination of a trust or decedent's estate, a beneficiary succeeding to its property is allowed to deduct any unused NOL (and any Alternative Minimum Tax (AMT) NOL) carryover for regular and AMT purposes if the carryover would be allowable to the estate or trust in a later tax year but for the termination.

For taxable years beginning on or after January 1, 2002, the NOL carryover computation for the California taxable income of a nonresident or part-year resident is no longer limited by the amount of net operating loss from all sources.

**Line 12a - Adjustment for alternative minimum tax purposes**

If you have an amount on Schedule K-1 (541), line 12, column (d), report this amount on Schedule P (540), Alternative Minimum Tax and Credit Limitations - Residents, or Schedule P (540NR), Alternative Minimum Tax and Credit Limitations - Nonresidents or Part-Year Residents, Part I, line 12, whichever is applicable.

**Line 12b through Line 12d**

- **Schedule P (540) filers:** Include any column (d) amount on Schedule P (540), Part I, line 12.
- **Schedule P (540NR) filers:** Include column (d) amounts on Schedule P (540NR), Part I, line 12, and report column (e) amounts in Part II, line 29 (f).

**Line 12e - Exclusion items**

Include any column (d) or column (e) amount on form FTB 3510, Credit for Prior Year Alternative Minimum Tax - Individuals or Fiduciaries, line 2.

**Line 13a - Trust payments of estimated tax credited to you**

Include on Form 540, California Resident Income Tax Return, line 72 or Long Form 540NR, California Nonresident or Part-Year Resident Income Tax Return, line 82, any estimated tax payments paid by the trust on your behalf.

**Line 13b - Total withholding**

Total withholding is the sum of your distributive share of taxes withheld from payments to the estate or trust by another entity (allocated to all beneficiaries according to their respective estate or trust interests) plus taxes withheld-at-source on you as a domestic or foreign nonresident

beneficiary. If there is a withholding credit allocated to you from another entity or taxes were withheld on you by the estate or trust, the estate or trust must provide you with a completed 2018 Form 592-B, Resident and Nonresident Withholding Tax Statement. Attach Form 592-B to the front of your California income tax return to claim the amount withheld. The amount shown on Form 592-B must be claimed on one of the following:

- Form 540, California Resident Income Tax Return, line 73.
- Long Form 540NR, California Nonresident or Part-Year Resident Income Tax Return, line 83.
- Form 541, California Fiduciary Income Tax Return, line 31.
- Form 109, California Exempt Organization Business Income Tax Return, line 17.
- Form 100, California Corporation Franchise or Income Tax Return, line 33.
- Form 100S, California S Corporation Franchise or Income Tax Return, line 32.

Schedule K-1 (541) is not used to claim the withholding credit. If the estate or trust is not on a calendar year, the amount on line 13b may not match the amount on Form 592-B because of the difference in accounting periods.

**Line 13c - Taxes paid to other states**

You may claim a credit against your individual income tax on your share of the net income tax paid to other states by the estate or trust. Get Schedule S, Other State Tax Credit.

**Line 13d - Other credits**

If applicable, the estate or trust will use this line, through an attached statement, to give you the information you need to compute credits related to a trade or business activity.

Credits that may be reported include the following:

- California Competes Tax Credit. Get form FTB 3531.
- College Access Tax Credit. Get form FTB 3592.
- Disabled Access Credit for Eligible Small Businesses. Get form FTB 3548.
- Donated Agricultural Products Transportation Credit. Get form FTB 3547.
- Enhanced Oil Recovery Credit. Get form FTB 3546.
- Enterprise Zone Hiring Credit. Get form FTB 3805Z.
- Local Agency Military Base Recovery Area Hiring Credit. Get form FTB 3807.
- Low Income Housing Credit. Get form FTB 3521.
- Natural Heritage Preservation Credit. Get form FTB 3503.
- New Advanced Strategic Aircraft Credit. Use credit code 236.
- New California Motion Picture and Television Production Credit. Get form FTB 3541.
- New Donated Fruits or Vegetables Credit. Get form FTB 3814.
- New Employment Credit. Get form FTB 3554.
- Prison Inmate Labor Credit. Get form FTB 3507.
- Research Credit. Get form FTB 3523.

The passive activity limitations of IRC Section 469 may limit the amount of credits you may claim. Get form FTB 3801-CR, Passive Activity Credit Limitations.

**Line 14a - Tax-exempt interest**

Include any column (c) amount on Schedule CA (540), Part I, line 2, or Schedule CA (540NR), Part II, line 2, column B or column C, whichever is appropriate.

**Line 14d - Other information**

Report any column (c) amount on Schedule CA (540), Part I, line 17, or Schedule CA (540NR), Part II, line 17, column B or column C, whichever is appropriate.

If the estate or trust is claiming tax benefits from a former Enterprise Zone (EZ), Local Agency Military Base Recovery Area (LAMBRA), Manufacturing Enhancement Area (MEA), or Targeted Tax Area (TTA), it will give the beneficiaries their distributive share of the business income, and business capital gains and losses included in business income, apportioned to the EZ, LAMBRA, MEA, or TTA on this line. Get form FTB 3805Z, Enterprise Zone Deduction and Credit Summary; form FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary; form FTB 3808, Manufacturing Enhancement Area Credit Summary; or form FTB 3809, Targeted Tax Area Deduction and Credit Summary to claim any applicable credit.