

**For taxable year  
beginning in 2023**



**Department of  
Taxation**

**Instructions for Filing:**

**IT 1041 Fiduciary Income Tax Return**

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## Online Resources

The Department of Taxation's website at [tax.ohio.gov](https://tax.ohio.gov) has many resources available to assist when filing the Ohio Pass-Through Entity & Fiduciary income tax returns:

- ✓ [PILOT](#) – A virtual assistant, available 24/7 to answer questions for all tax types.
- ✓ [FAQs](#) – Review answers to common questions on topics.
- ✓ [Forms](#) – Find all pass-through entity & fiduciary income tax forms (including related schedules and worksheets). Many forms have fill-in versions that can be completed online, print, and then submit to the Department.
- ✓ [Information Releases](#) – Research detailed explanations and legal analyses of certain tax topics.
- ✓ [Ohio Virtual Tax Academy](#) – View webinars designed and presented by Department staff on Ohio's state taxes.
- ✓ [Tax Alerts](#) – Sign up to receive tax updates and reminders from the Department via email.

### Federal Privacy Act Notice

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

## Taxpayer Assistance

Need Help? – To help answer questions and ensure that the tax returns are filed accurately, the Department of Taxation provides the following resources at [tax.ohio.gov](http://tax.ohio.gov):



Additionally, the website has all Pass-Through Entity & Fiduciary income tax forms to download or print. If the answer is unavailable on the website, contact the Department using any of the following methods:

Email – Click 'Contact Us' at the top right on [tax.ohio.gov](http://tax.ohio.gov) and select 'Email Us' to access a secure email form, or email directly to [Pass-ThroughEntity@tax.ohio.gov](mailto:Pass-ThroughEntity@tax.ohio.gov).

Call – To speak with an examiner at 1-888-405-4039 during the Department's normal business hours.

Normal business hours are from 8 a.m. to 5 p.m. Monday through Friday excluding holidays.

Write – Contact the Department by mail at:

Ohio Department of Taxation  
Pass-Through Entity & Fiduciary Income Tax Division  
P.O. Box 2619  
Columbus, OH 43216-2619

Note: Please use the street address listed below to overnight documents to the Department.

4485 Northland Ridge Blvd.  
Columbus, OH 43229-6596

Form Requests: Visit [tax.ohio.gov](http://tax.ohio.gov) to easily download our forms. Request tax forms anytime by calling 1-800-282-1782.

For persons who use text telephones (TTYs) or adaptive telephone equipment only: Contact the Ohio Relay Service at 7-1-1 or 1-800-750-0750 and give the communication assistant the Ohio Department of Taxation phone number that you wish to contact.

These instructions contain law references for specific line items and requirements. To review Ohio Pass-Through Entity & Fiduciary income tax law, see [R.C. 5747](#) and [R.C. 5733](#), respectively.

## Go Paperless and File Electronically!

The IT 1041 can be filed electronically through the federal e-file program overseen by the IRS ([irs.gov/filing](http://irs.gov/filing)), or through a participating third-party tax preparation product. PTEs can verify their software is compatible with the MeF program by reviewing the list of approved software vendors at [PTE and Fiduciary Income Tax - Software Developers](#).

## Highlights for 2023

### **Tax Bracket Update**

The tax year 2023 income tax table for estates and trusts has been updated to include four brackets (reduced from five). The highest rate was reduced to 3.75%. For details of all changes, see the updated tax brackets on page 12.

See R.C. 5747.02(A)(2).

### **NEW New Addition for SALT Cap Taxes Paid to Other States**

A new addition is required on the IT 1041 for taxes deducted in computing federal or Ohio taxable income and paid to another state or District of Columbia as part of that state's SALT cap tax related to IRS Notice 2020-75. For more information, see page 13.

See R.C. 5747.01(S)(16).

### **NEW Ohio Adoption Credit Repealed**

The Ohio Adoption Credit was repealed and is no longer available. For details, see page 16.

See former R.C. 5747.37, repealed in 2023 Am. Sub. H.B. No. 45.

### **NEW Bonus Depreciation Repealed**

The IRC §168(k) bonus depreciation and §179 expense add-back has been repealed. For more details including how to report deductions from prior-year add-backs, see page 21.

See R.C. 5747.01(S)(14), effective 10/3/2023.

### **NEW Credit for Sale/Rental of Agricultural Assets to Beginning Farmers**

This credit is granted by the Ohio Department of Agriculture (ODA). To claim the credit, you must attach a copy of the certificate from ODA that indicates the amount of the credit and the tax year for which the credit is awarded.

For additional details, see Schedule E.

See R.C. 901.61(D) and 5747.77(A).

### **NEW Welcome Home Ohio Credit**

This credit is granted by the Ohio Department of Development (ODOD). To claim the credit, you must attach a copy of the certificate from ODOD that indicates the amount of the credit and the tax year for which the credit is awarded.

For additional details, see Schedule E.

See R.C. 122.633.

### **NEW Ohio Low-Income Housing Credit**

This credit is granted by the Ohio Housing Finance Agency (OHFA). To claim the credit, you must attach a copy of the credit certificate from OHFA that indicates

the annual amount of the credit and the period for which the credit is awarded. If available, include a copy of the report from the designated reporter that indicates the amount of the annual credit amount allocated to you. The credit cannot be claimed unless you are included on this report.

For additional details, see Schedule E.

See R.C. 175.16 and 5747.83.

### **NEW Affordable Single-Family Housing Credit**

This credit is granted by the Ohio Housing Finance Agency (OHFA). To claim the credit, you must attach a copy of the credit certificate from OHFA that indicates the annual amount of the credit and the period for which the credit is awarded. If available, include a copy of the report from the designated reporter that indicates the amount of the annual credit amount allocated to you. The credit cannot be claimed unless you are included on this report.

For additional details, see Schedule E.

See R.C. 175.17 and 5747.84.

### **IT K-1**

Each entity with Ohio income should prepare a separate IT K-1 for each investor, owner or qualifying beneficiary to enclose with the investor's, owner's or beneficiary's return. If the tax preparation software allows for PDF attachments, include a copy of the form. The IT K-1 form has been updated to include lines for reporting required direct and indirect add-backs for electing pass-through entity tax paid.

For more information, see the IT K-1 form and instructions on tax.ohio.gov in the searchable [Tax Forms](#) section.

### **Credit Carryforward**

Beginning with tax years that start on or after January 1, 2020 the credit carryforward of overpayments has been reinstated, however for tax years 2017-2019 the Department did not permit credit carryforwards. A credit carryforward is only allowed on a timely filed, original return; otherwise, any overpayment will be refunded.

### **Opportunity Zone Investment Credit Transfer Form**

A person that holds a wholly or partially unclaimed Ohio Opportunity Zone Investment credit certificate may transfer the right to claim all or part of the remaining credit to any other person. The [Opportunity Zone Investment Credit Transfer Form](#) is available at tax.ohio.gov. For more information about the credit, visit development.ohio.gov or call ODOD at 1-800-848-1300.

See R.C. 122.84(E).

### **Schedule E Update (Nonrefundable Business Credits)**

Schedule E has been updated to include the following new credits: Credit for Commercial Vehicle

Operator Training Expenses, Credit for Sale/Rental of Agricultural Assets to Beginning Farmers, Welcome Home Ohio Credit, Ohio Low-income Housing Credit and Affordable Single-Family Housing Credit. Existing "Vocational Job Credit" name has been updated to "Credit for Work-Based Learning Experiences."

The form is available in the searchable [Tax Forms](#) section at tax.ohio.gov."

**IT RCTE (Trust/Estate Resident Credit)**

Trusts and estates use the IT RCTE to calculate their resident credit. Include the IT RCTE form with the completed IT 1041 and retain a copy for the entity's records. If the tax preparation software allows for PDF attachments, include a copy of the form.

The form is available in the searchable [Tax Forms](#) section at tax.ohio.gov.

**IT NRCE: Ohio Nonresident Credit for Estates**

Estates use the IT NRCE to calculate the nonresident portion of their federal taxable income. The nonresident portion is used to calculate the Ohio nonresident credit. Include the IT NRCE form with the

completed IT 1041 and retain a copy for the estate's records. If the tax preparation software allows for PDF attachments, include a copy of the form. The form is available in the searchable [Tax Forms](#) section at tax.ohio.gov.

**Electronic Filing**

The IT 1041 can be filed electronically through the federal efile program overseen by the IRS (irs.gov/filing), or through a participating third-party tax preparation product. For a current list of approved software programs, please see the [Software Developers](#) page on the Ohio Department of Taxation website, and search for the most recent MeF Approval Status link.

A tax return preparer that prepares more than 11 original tax returns during any calendar year shall use electronic filing technology. This provision does not apply to a tax return preparer in any calendar year if, during the previous calendar year, the tax return preparer prepared not more than 10 original tax returns.

See R.C. 5747.082

DRAFT TO CHIEF OF STAFF  
SUBJECT TO CHIEF OF STAFF  
UNTIL JANUARY 2024

## Filing Tips

### **Provide a Current Address**

The Department uses the most up-to-date address on file to send correspondence, billings, assessments and refunds. If the address is not correct, refunds and notices will be mailed to the incorrect address. To update an address, check the box above the address line on the return **or** visit the [Business Address Update](#) page at tax.ohio.gov to change the address.

### **Verify the IT 1041 and UPCs are for the Correct Tax Year**

Verify the UPC reflects the correct name, address and federal employer identification number (FEIN) for the correct application of the payment.

### **Maintain a Bank Account**

The trust or estate must maintain its bank account to ensure it can receive refunds after its closing date. The Department **cannot** change the name on a refund check, nor issue the check directly to a trustee or beneficiary, due to the closing or termination of a trust or estate.

### **Report FEIN or SSN in Correct Field**

Do not enter an SSN in the FEIN field nor enter a FEIN in the SSN field.

### **Determine Residency of the Trust**

A trust's residency is determined under Ohio law using a series of tests; it is not determined based on the location of either the trustee or the administration of the trust's assets. Please note, it is possible that more than one residency test can apply to all or a portion of a trust.

See R.C. 5747.01(l)(3) and [Information Release IT 2003-02 - Trust Residency](#).

### **Reprint Corrected Software-Generated Paper Returns**

If the printed software-generated return from a tax preparation program subsequently requires changes on the return, do not write in the changes. Use the software to make the necessary changes, save, and reprint the return. The Department's system will not pick up handwritten changes on returns generated by tax preparation software.

### **Complete All Applicable Schedules on the Return**

When filing via a software program, complete all relevant schedules and **do not** override any line items. Information from schedules on the return flows to other lines that are used to calculate the tax liability. If the schedules are not completed, a value of **zero** will flow to the corresponding lines, which will override any amounts that may have been entered. The return will be recalculated accordingly, resulting in a potential billing notice or reduced refund.

### **Report Trust income as Follows:**

- Qualifying trust amounts on schedule VI (see page 13 for instructions);
- Apportioned modified business income and qualifying investment income on schedule VII (see page 13 for instructions);
- Allocated modified nonbusiness income on schedule VIII (see page 13 for instructions).

Trust income categorized incorrectly may result in a potential billing notice or refund reduction.

### **Report Apportionment Ratio and Ownership Percentage**

Enter percentages and ratios in decimal format (e.g., report 30.09% as .3009; Report 100% as 1.0000.) Enter apportionment ratios in decimal format and carry to six decimal places. In addition, do not enter text (e.g., "null" or "zero") in numeric fields.



### **Report Estimated Payments, Withholding, and Credits on Correct Lines**

Incorrect reporting of the payments, withholdings, and credits may result in a denied/reduced refund or bill.

- Report estimated payments, withholding and/or overpayments previously claimed on Schedule XI - Net Payment Worksheet as follows: Line 79a: Enter estimated payments made with an IT 1041 UPC or EFT payments made through the Ohio Treasurer of State for this tax year;
  - Line 79b: Enter 1099 withholding;
  - Line 79c: Enter W-2 withholding;
  - Line 79e: **[Amended Return ONLY]** Enter the refund amount from line 17 from the original return filed for this tax year.
- Report **refundable business** credits on Line 15 of Schedule I and on Schedule XII – Refundable Business Credits as follows:
  - Line 81: Enter the Motion Picture/Broadway credit;
  - Line 82: Enter the refundable portion of the Job Retention credit and the Job Creation credit;
  - Line 83: Enter the Pass-Through Entity credit;
  - Line 84: Enter the Venture Capital credit;
  - Line 85: Enter the refundable portion of the Ohio Historic Preservation credit.
- Report **nonrefundable business credits** on Line 10 of Schedule I and on Schedule E. Include a copy of Schedule E, Schedule of Nonrefundable Business Credits, and include copies of the required certificates and/or IT K-1s for verification.
  - Do not use Schedule E to claim refundable credits. Instead, claim refundable credits on the appropriate “refundable credits” line.

### **Calculate the Resident Tax Credit on the Trust’s Modified Nonbusiness income**

Include only the modified nonbusiness income in the calculation of the resident trust tax credit on Schedule IX. Failure to do so may result in a denied/reduced refund or bill.

### **Report Proportionate Share of Credits**

A distribution made by a trust/estate may affect the amount of a credit it is allowed to claim on its IT 1041. Credits must be shared between the trust or estate and the beneficiaries in proportion to the income retained versus distributed. See R.C. 5747.02(C)(3).

## Payment Options

### **First-Time Filers: Submit PTE Registration Form Before First Estimated Payment**

If the trust or estate is a first-time filer, submit the Pass-Through Entity and Fiduciary Income Tax Registration Form before submitting the first estimated payment. The form can be found on the tax.ohio.gov website in the [Tax Forms](#) search. **Failure to submit the registration form may result in a delay in processing the estimated payment(s), resulting in a billing notice or refund delay.**

### **Submit a Separate Check for Each Balance**

A separate check is required for each tax return payment, estimated payment, billing/assessment payment, etc. The Department cannot apply a single check to multiple balances. The check or money order should be made payable to "Ohio Treasurer of State" with identifying information on the memo line, including:

- Federal employer identification number (**FEIN**), or **SSN** for decedent's estate **only**
- **Tax form** using the payment (IT 1041)
- **Tax year** end for the payment (mm-dd-yy)

### **Using Payment Coupons Created by Third-Party Software**

Before submitting a payment coupon created by third party software, please verify the reporting period end date matches the software-generated Key ID numbers and the number string at the bottom of the payment coupon, in the format MMY. **If mismatched, the payment will be misdirected, causing a delay in processing the estimated payment(s), resulting in a billing notice or refund delay.** Please contact the third-party software company's support line to resolve.

### **Methods for Making PTE and Fiduciary Income Tax Payments**

1. **Electronic Funds Transfer (EFT):** Payments may be remitted by EFT (ACH credit) via the Ohio Treasurer of State (TOS). Any questions about the EFT payment process should be directed to the Ohio Treasurer of State by calling (877)338-6446.

**This is an ACH credit option; the entity initiates the payment through its own bank. No online credit card payment or ACH debit option exists at this time either through the Ohio Treasurer of State (TOS) or the Ohio Department of Taxation.**

Access the applicable tax form-specific link below for the information page with the TOS routing/account numbers and codes/format the financial institution must use to issue the ACH credit via the TOS payment option:

[IT 4708 Pass-Through Entity Composite Income Tax Payments](#)

[IT 1140 Pass-Through Entity and Trust Withholding Tax Payments](#)

[IT 1041 Fiduciary Income Tax \(Trusts and Estates\) Payments](#)

[IT 4738 Electing Pass-Through Entity Income Tax Payments](#)

**NOTE:** The TOS no longer requires PTE and fiduciary filers to submit an EFT authorization form to register before making an IT 4708, IT 4738, IT 1140 and/or IT 1041 payment via ACH credit (no ACH debit option).

2. **Check or Money Order:** Make check or money order payable to "Ohio Treasurer of State." A payment made by a check or money order must be submitted with the appropriate Ohio Universal Payment Coupon (UPC) based on the form filed. All UPCs can be found on the tax.ohio.gov website in the searchable [Tax Forms](#) section by entering "UPC" in the Form Title or Number field. Please mail the payment and UPC to the address on the UPC or hand deliver to our self-service walk-in center.

**Electronic Check:** When filing electronically through an approved software program, the PTE or fiduciary has the option to make a payment by electronic check in the form of an Electronic Funds Withdrawal, or direct debit. The direct debit option is only available for e-filed returns. For mailed returns created from an approved software program, the options for payment are 1) Electronic Funds Transfer (EFT), or check or



money order, as listed above.

For a current list of approved software programs, please see the [Software Developers](#) page on the Ohio Department of Taxation website, and search for the most recent MeF Approval Status link.

Please contact the software companies directly for their electronic payments support.

### Completing the Universal Payment Coupon (UPC)

Each payment made by check or money order must be submitted with the appropriate Ohio Universal Payment Coupon (UPC). Application of payments is driven by the UPC used and is based on which form is filed (i.e., IT 1041, IT 4708, IT 4738, or IT 1140). Each UPC allows the Taxpayer to make either an estimated payment ("ES" payment) or payment submitted with the tax return ("P" payment). **Only one type of payment can be made on each UPC submitted.**

All UPCs can be found on the searchable [Tax Forms](#) page by entering "UPC" in the Form Title or Number field.

The **IT 1041 UPC** is used by trusts and estates to make either an estimated payment (IT 1041ES Trust or Estate) or a payment submitted with the trust/estate return (IT 1041P Trust or Estate). When completing the UPC:

- Indicate the reporting period by providing the filing period start date and end date in the format mm-dd-yy;
- Specify the appropriate payment type (IT 1041ES Trust or Estate or IT 1041P Trust or Estate);
- Enter the entity type code in the box above the payment amount (\*see codes on instructions page above UPC);
- Enter the amount of payment as a whole number without a decimal, as the UPC features a preprinted ".00";
- A FEIN should be entered for a trust. The SSN field should only be used by the estate.

**Sample IT 1041 UPC: This form must be included with each check or money order.**

**Ohio Universal Payment Coupon (UPC)**  
Pass-Through Entity/Fiduciary Income Tax  
Rev. 05/19

Do NOT fold check or voucher.

• Do NOT staple or paper clip. • Do NOT send cash.

Reporting Period (Annual Period Start Date)

Reporting Period (Annual Period End Date)

Name of trust or estate

Fiduciary name and title

Number, street, P.O. Box, suite or room number

City, State, ZIP code

FEIN (03)

SSN (09)

Check One Only:

IT 1041P: Estates (847) ☐ IT 1041ES: Estates (854) ☐

IT 1041P: Trust (850) ☐ IT 1041ES: Trust (855) ☐

Entity Type (see instructions)

Amount of Payment → \$  .00

Make payment payable to: Ohio Treasurer of State  
Mail this voucher and payment to:  
Ohio Department of Taxation  
P.O. Box 2619  
Columbus, OH 43216-2619

Mail UPC and Check or money order to the address on the UPC.

Verify address is current

Check one box:  
P or ES: Estates  
P or ES: Trust  
P = Return Payment  
ES = Estimated Payment

SSN used only to identify decedent's estate

Entity Type Codes:  
6 = Simple Trust  
7 = Complex Trust  
8 = Bankruptcy Estate  
9 = Decedent's Estate

### Include a Check or Money Order with each IT 1041 UPC

Payable to "Ohio Treasurer of State" with identifying information on the memo line, including:

- Federal employer identification number (FEIN), or SSN for decedent's estate only
- Tax form using the payment (IT 1041)
- Tax year end for the payment (mm-dd-yy)

## 2023 Ohio Form IT 1041 General Instructions

### **Who must file the IT 1041?**

All estates and trusts, including foreign estates and trusts, that are subject to the Ohio fiduciary income tax must file the IT 1041 and pay any tax due. All estates are subject to tax on their Ohio taxable income, while all trusts are subject to tax on their modified Ohio taxable income. Generally, estates that file the federal 1041 and reside in Ohio, or earn or receive income in Ohio, must file the IT 1041. Trusts that file the federal 1041 or the federal 1040NR and have retained earnings and earn or receive income that is allocable or apportionable to Ohio, must file the IT 1041.

Foreign estates and trusts are not necessarily exempt from Ohio income tax. Instead, Ohio levies its fiduciary income tax on every estate or trust residing in or earning or receiving income in Ohio. "Trust" is specifically defined to include any trust described in IRC §641- §685 that is not one of the following trusts:

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

See R.C. 5747.02(A)(1) and (2), 5747.02(D), 5747.01(S), and 5747.01(AA).

### **How does the residency of the trust affect the taxation of the trust?**

A trust's residency status only affects how its modified nonbusiness income is taxed. A trust's modified nonbusiness income is the portion of the trust's Ohio taxable income that is not included on schedules VI – Allocated Qualifying Trust Amounts and VII – Apportioned Income Amounts of the IT 1041. Some examples of modified nonbusiness income that are taxable to Ohio can be found under the section on this page labeled "What Trust Income is Subject to Tax?"

Generally, most income reported by a trust is modified nonbusiness income. A resident trust is required to pay Ohio income tax on all modified nonbusiness income but may claim a resident credit on Schedule IX of the IT 1041. The resident credit equals the lesser of modified nonbusiness income subjected to tax in another state, or the amount of tax paid to another state on that income.

Conversely, a nonresident trust is required to pay Ohio income tax on the items of modified nonbusiness income only to the extent they are from property that is located in Ohio or intangible property used in Ohio. Additionally, lottery winnings are taxable as modified nonbusiness income.

See R.C. 5747.01(AA)(3), (4)(c) and 5747.20(B).

### **Is a trust that only has investment income required to file?**

A resident trust investing only in savings accounts, certificates of deposit, stocks, bonds, commercial paper and/or mutual funds will owe Ohio income tax if the trust had federal taxable income after distributions. The tax on each resident trust is based on the trust's federal taxable income, plus or minus the adjustments set forth on the IT 1041.

However, a nonresident trust investing only in savings accounts, certificates of deposit, publicly traded stocks, bonds, commercial paper and/or mutual funds will not owe any Ohio income tax.

See R.C. 5747.01(I)(3), 5747.01(S), 5747.01(AA)(3) and (4)(c) and 5747.20(B).

### **If the trust or estate has a loss is it still required to file an IT 1041?**

The trust or estate may still have an IT 1041 filing requirement, even if it reports a loss on the federal 1041 during the tax year, as adjustments on Schedule II could result in Ohio taxable income. The trust or estate is **not** required to file the IT 1041 if the following three scenarios apply:

- The trust or estate's federal 1041 or federal 1040NR shows no taxable income or has a negative taxable income (e.g., simple trusts and most estate tax returns);
- The trust or estate did not earn or receive any Ohio sourced income during the tax year; AND
- There are no Ohio adjustments that would result in Ohio taxable income.

See R.C. 5747.02 and 5747.08.

### **How does a federal §645 election impact the IT 1041?**

An election under IRC §645 allows the executor of an estate and the trustee of a revocable trust to elect to treat the trust as part of the estate for federal tax purposes. The beneficiaries of an estate that make a §645 election must use the federal taxable income as the starting point for completing the IT 1041. The estate must also designate the same estate type(s) selected on the federal 1041.

The estate may **only** claim deductions and credits available to an estate on its IT 1041; it **cannot** claim any credits or deductions, and should not check any boxes, available only to trusts. However, the beneficiary can claim any credits and withholding amounts belonging to the trust identified in the §645 election. **Note:** The estate must include a copy of the federal return when filing the IT 1041 as evidence of its §645 election.

### **What Trust Income is Subject to Tax?**

A trust is taxed on its "modified Ohio taxable income." The modified Ohio taxable income is based on

the trust's federal taxable income, subject to the adjustments on Schedule II of the IT 1041. After determining its "modified Ohio taxable income" the trust must determine which of the following types of income it is required to report:

- **Qualifying trust amount:** Capital gains and losses from the sale, exchange, or other disposition of equity or ownership interests in, or debt obligations of, a qualifying investee to the extent included in the trust's Ohio taxable income, but only if the following requirements are satisfied:
  - The book value of the qualifying investee's physical assets in this state and everywhere as of the last day of the qualifying investee's fiscal or calendar year ending immediately prior to the date on which the trust recognizes the gain or loss available to the trust.
  - The trust owns at least 5% of the qualifying investee during the previous 10 years.
- **Modified Business Income:** Business income included in a trust's Ohio taxable income after such taxable income is first reduced by the qualifying trust amount, if any.
- **Qualifying Investment Income:** acquisition, ownership, or disposition of intangible property, loan fees, financing fees, consent fees, waiver fees, application fees, net management fees, dividend income, interest income, net capital gains from the sale or exchange of intangible property, or distributive shares of income.
- **Modified Nonbusiness Income:** Is a portion of the trust's Ohio taxable income other than the qualifying trust amount, and other than the allocated qualifying trust amount, and apportioned income amounts; to the extent such qualifying investment income is not otherwise part of modified business income. Some examples of modified nonbusiness income that are taxable to Ohio include:
  - Capital gains or losses from the sale, exchange or transfer of real or tangible personal property;
  - Rents and royalties from real or tangible personal property;
  - Royalties from patents or copyrights;
  - Lottery winnings and gains and/or losses from the sale or transfer of such winnings.

See R.C. 5747.01(AA) and 5747.02(A)(1).

#### **How should a Qualified Pre-Income Tax Trust complete the IT 1041?**

A trust that made the election to be a qualified pre-income tax trust is not subject to Ohio income tax. However, such a trust must file the IT 1041, as follows, for informational purposes:

- Include only pages 1 and 2 of the IT 1041;
- Check the "qualified pre-income tax trust" box at the top of page 1;
- Enter the trust's federal taxable income on line 1;
- Deduct the amount entered on line 1 on line 2;

- Enter zero on lines 3 and 13; AND
- Include a copy of the acknowledgment from the Department that the trust is exempt from Ohio income tax.

See R.C. 5747.01(EE).

#### **When is the Return Due?**

For all trusts and estates, the IT 1041, along with all supporting documentation such as IT K-1(s), W2s, 1099s and federal 1041 or federal 1040NR, is due by the date listed in the table below. If any filing due date set forth falls on a weekend or on a holiday, then the due date becomes the first business day thereafter.

#### **Filing Extensions**

If the trust or estate has a 12/31/2023 calendar year end, the entity can extend the due date for filing the IT 1041 to September 30, 2024, provided it qualifies for an IRS extension of time to file. Ohio does not have an extension request form but honors the IRS extension. Include a copy of the IRS extension or IRS acknowledgement, and/or the extension confirmation number, if electronically filed. If the trust or estate has a fiscal taxable year end, it will have a different extension due date. See the table below for extension due dates.

**An extension of time to file does not extend the time for payment of the tax due.** The trust or estate must make extension payments with the required IT 1041 UPC available at the link [Tax Forms](#), or by searching for "UPC" in the Form Title or Number field on the TAX FORMS page at [tax.ohio.gov](#). Interest will accrue on any tax not paid by the due date, and penalties may also apply. If the trust or estate has a fiscal year end, please see the table below. Interest will accrue on any unpaid tax, and penalties may also apply. If your due date falls on a Saturday, Sunday, or legal holiday, the due date is moved to the next business day.

Fiscal Year Ends	IRS Due Date	Ohio Due Date	IRS Ext. Due Date	Ohio Ext. Due Date
12/31/23	4/15/24	4/15/24	9/30/24	9/30/24
1/31/24	5/15/24	4/15/25	9/30/24	4/15/25
2/28/24	6/15/24	4/15/25	11/30/24	4/15/25
3/31/24	7/15/24	4/15/25	12/30/24	4/15/25
4/30/24	8/15/24	4/15/25	1/31/25	4/15/25
5/31/24	9/15/24	4/15/25	2/28/25	4/15/25
6/30/24	10/15/24	4/15/25	3/31/25	4/15/25
7/31/24	11/15/24	4/15/25	4/30/25	4/30/25
8/31/24	12/15/24	4/15/25	5/31/25	5/31/25
9/30/24	1/15/25	4/15/25	6/30/25	6/30/25
10/31/24	2/15/25	4/15/25	7/31/25	7/31/25
11/30/24	3/15/25	4/15/25	8/31/25	8/31/25



See R.C. 5747.08(G) and Ohio Admin Code 5703-07-05. The fiscal year ends referenced in the above table may or may not reflect a 12-month filing period.

### **Estimated Tax Payments**

The trust or estate must make estimated tax payments with the IT 1041ES Universal Payment Coupon (UPC) for the entity's taxable year if the trust or estate's estimated tax liability after credits is greater than \$500. The interest penalty applies to estimated payments not timely made. For more information, see page 9.

### **Due Dates for Estimated Tax Payments**

If your due date falls on a Saturday, Sunday, or legal holiday, the due date is moved to the next business day.

Due Date for Estimated Payments	% Cumulative Estimated Payments Made
On or before the 15th day of the 4th month of the taxable year.	22.5% of the current year tax liability
On or before the 15th day of the 6th month of the taxable year.	45% of the current year tax liability
On or before the 15th day of 9th month of the taxable year.	67.5% of the current year tax liability
On or before the 15th day after the close of the taxable year	90% of the current year tax liability

### **Does Ohio Follow the Alternative Preparer Signature Procedures?**

The Department follows the federal alternative preparer signature procedures found in federal Notice 2004-54; However, the paid preparer must print (not sign) his/her name if the taxpayer authorizes the preparer to discuss the return with the Department.

Preparers with a Preparer Tax Identification Number (PTIN) must provide it on all returns. See R.C. 5703.262(B) and 5747.08(F).

### **Can the Trust or Estate's Tax Preparer Contact the Department About the Tax Return?**

The fiduciary of the estate or trust can check the box below the tax preparer's name on page 2 of the return to authorize the preparer to:

- Contact the Department about the status of the trust or estate's return, payments, or refund;
- Provide the Department with information missing from the trust or estate's return; AND
- Respond to inquiries or notices from the Department related to the return.

See R.C. 5747.08(J).

### **What is the IT K-1?**

The IT K-1 allows the trust or estate to report its income, adjustments, credits, and apportionment information to its beneficiaries. The information is used by the trust or estate's beneficiaries when completing the IT 1040, IT 1041, IT 4708, or IT 4738.

The trust or estate must complete two copies of the IT K-1 for each beneficiary whose income is included on the IT 1041. One copy of the IT K-1 must be included when filing the IT 1041. The other copy should be provided to the beneficiary.

The IT K-1 is available in the searchable [Tax Forms](#) section at tax.ohio.gov. For additional information, please see the IT K-1 category in the PTE FAQs at tax.ohio.gov.

## **Amended Returns**

### **When to Amend**

The trust or estate can file an amended IT 1041 to report changes to the originally filed return. An amended return can result in either a tax due or a refund based on the changes. Under certain circumstances, an amended return may be required. To amend the IT 1041 the trust or estate should file a new return showing the original amounts for any item that remains unchanged and reflecting all proposed changes; indicate that it is amended by checking the box at the top of page 1.

Please include a copy of the following with the amended return:

- Any canceled checks used as payment on the originally filed return; AND
- Supporting documentation that reflects the reason(s) for filing the amended return.

**Note:** It may take at least 180 days from the date of receipt to process the amended return. For additional information, see tax.ohio.gov for [FAQs](#).

### **When not to amend the return**

Some common mistakes may not require an amended return. Some examples include:

- Math errors;
- Missing pages or schedules;
- Demographic errors; OR
- Missing income statements (W-2, 1099, K-1) or credit certificates.

In these situations, the department will either make the corrections to the return or contact the trust or estate to request the needed documentation.

### **Requesting a refund**

The trust or estate may want to amend the return to request an additional credit, deduction or payment. Such changes may result in a refund. The trust or estate has four years from the date of the payment to request a refund. The trust or estate must include supporting documentation to substantiate the changes reported on the amended return. Some common required documentation includes:

- The federal return, including applicable schedules and attachments;
- Copies of income statements (W-2, 1099, etc.);
- IT K-1, or credit certificates;
- Form IT NRCE.

### **Reporting additional tax due**

The trust or estate should amend the return to report additional income or reduce a previously claimed credit or deduction. Such changes may result in additional tax due. Payment should be included with the amended return using an IT 1041 UPC payment coupon.

### **Changes to the federal return**

If the IRS makes changes to the federal return, either based on an audit or an amended return, and those changes affect the Ohio return, the trust or estate is required to file an amended IT 1041. **Do not** file the amended Ohio return until the IRS has finalized the changes to the federal return. Once the changes are finalized, please include a copy of all of the following:

- The federal amended 1041;
- The IRS acceptance letter; OR
- The refund check issued to the trust or estate by the IRS, if applicable

**Note:** Instead of including a copy of these documents, the trust or estate may be able to submit a copy of the IRS Tax Account Transcript reflecting the updated federal return information.

The amended IT 1041 should be filed no later than 90 days after the IRS completes its review of the federal return. Failure to file the return within this time period may result in an assessment or a denial of the refund claim. The 90 days begins to run when:

- The period for the federal appeal has expired;
- The date on the refund issued by the IRS; OR
- The date a federal settlement agreement is signed.

See R.C. 5747.10.

### **File Prior to Out of Statute**

Ohio's fiduciary income taxes generally have a four-year statute of limitations. The Department has four years to issue an assessment from the later of when the return was due or filed. The PTE or fiduciary has four years from the date of the payment to request a refund. Please see the table below for details.

Tax Year	Due Date	Timely Payment or Withholding Out-of-Statute Date
2019	7/15/20	7/15/24
2020	5/17/21	5/15/25
2021	4/15/22	4/15/26
2022	4/18/23	4/15/27
2023	4/15/24	4/18/28

### **Completing the Applicable Check Boxes on Page 1 of the Ohio IT 1041**

On page 1 of the return, the entity must designate whether it is an estate or a trust. Trust and estate types (other than resident, nonresident, irrevocable or testamentary) are determined by the federal 1041 filing.

Estates must select one or both of the following:

- Decedent's estate
- Bankruptcy estate

Trusts must select one or the other of each of the following:

- Simple or complex
- Resident or nonresident

**Note:** If applicable, the trust should also select one or more of the following:

- Irrevocable
- Testamentary

### **Trust Residency**

A "resident" trust is a trust that in whole or in part resides in Ohio. If the resident trust resides in part, it is only a resident with respect to that part. See R.C. 5747.01(l)(3) and information release IT 2003-02.

A trust created at the time of an individual's death under a will (testamentary) is a testamentary trust. A testamentary trust resides in Ohio if the decedent at the time of death was domiciled in Ohio for Ohio estate tax purposes (R.C. 5731).

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

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

additional information, see R.C. 5747.01(I)(3)(a),(e) and (f).

### **Estate Residency**

An estate is a resident if the decedent was domiciled in Ohio at the time of death. See R.C.5747.01(I)(2).

## **Schedule I – Taxable Income, Tax, Payments and Net Amount Due Calculations**

### **Line 4 – Trusts- Allocated Qualifying Amount**

This line must match the summary line 61. Any difference on these lines will result in a delay in processing the return and a possible refund reduction or billing.

### **Line 5 – Trusts - Apportioned Income**

This line must match the summary line 64. Any difference on these lines will result in a delay in processing the return and a possible refund reduction or billing.

### **Line 6 – Trusts - Modified Nonbusiness Income**

This line must match the summary line 67. Any difference on these lines will result in a delay in processing the return and a possible refund reduction or billing.

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

Use Table 2 to compute the tax based upon the amount on line 3 for estates or line 7 for trusts.

Table 2: TY 2023 Estates and Trusts Income Tax Brackets and Marginal Tax Rates		
TY 2023 Ohio Taxable Income Brackets not more than		TY 2023 Ohio Tax
\$0 - \$26,050		1.38432% of Ohio Taxable Income
\$26,050-\$100,000		\$360.69 plus 2.75% of the amount in excess of \$26,050
\$100,000-\$115,300		\$2,394.32 plus 3.688% of the amount in excess of \$100,000
More than \$115,300		\$2,958.58 plus 3.75% of the amount in excess of \$115,300

See R.C. 5747.02(A)(3)

### **Line 10 – Credits from Schedules IV, V, IX and E**

- Estates should enter the sum of lines 55 and 58 of the IT 1041 and line 11 of the Ohio Schedule E.
- Trusts should enter the sum of lines 74 of the IT 1041 and line 11 of the Ohio Schedule E.
- Schedule E, Nonrefundable Business Credits is available in the searchable [Tax Forms](https://tax.ohio.gov) section of [tax.ohio.gov](https://tax.ohio.gov).

**Note:** The trust/estate is **only** entitled to the portion of the credits that relate to the retained earnings in the trust/estate.

See R.C. 5747.02(C)(3)

### **Line 12 – Interest Penalty on Underpayment of Estimated Tax**

A trust or estate that does not make timely, sufficient estimated payments may be subject to the 2210 interest penalty. A trust or estate filing the IT 1041 should use pages 1 and 2 of the Ohio IT/SD 2210 to determine if an interest penalty is due, and if so the interest penalty amount. This form is available in the searchable [Tax Forms](https://tax.ohio.gov) section of [tax.ohio.gov](https://tax.ohio.gov).

The trust or estate will owe an interest penalty if (i) the Ohio tax due is greater than \$500 and (ii) withholdings, timely estimated payments and refundable credits are less than either of the following:

- 90% of the 2023 Ohio tax liability; OR
- 100% of the 2022 Ohio tax liability

**Note:** A trust or estate may be subject to the penalty even if it is due a refund when filing its return.

See R.C. 5747.09(D) and (E).

### **Line 15 – Refundable Business Credits**

This line must match line 87, the sum of all refundable business credits. Any difference on these lines will result in a delay in processing the return and a possible refund reduction or billing.

### **Line 18 – Amount of Line 17 to be Credited Toward Next Year's Liability**

Beginning with filing periods that start on or after January 1, 2020 the credit carryforward of overpayments has been reinstated, however for tax years 2017-2019 the Department did not permit credit carryforwards. A credit carryforward is only allowed on a timely filed, original return; otherwise, any overpayment will be refunded.

### **Line 19 – Amount of Line 17 to be Refunded**

**Interest on Overpayments.** Once the return has been verified, if the refund exceeds one dollar it will be refunded to the trust or estate. The trust or estate will receive interest on the refund from the date of payment until the date of the refund if the amount is not refunded within 90 days of the later of the return's due date, or the date the return was filed.

During the calendar year 2024, the interest rate is 8%.

See R.C. 5747.11(B) and (C)(1).

### **Line 21 – Interest Due on Late Payment of Tax**

Interest is due on any unpaid tax exceeding one dollar from the unextended due date until the date the tax is paid. An extension of time to file does not extend



the payment due date. The interest rate for calendar year 2024 is 8%.

See R.C. 5747.08(G).

## **Line 22 – Total Amount Due if any**

Make payments by:

- Electronic check through an approved software program when filing electronically;
- Sending a personal check/money order with the Ohio UPC;
- Electronic funds transfer (EFT) through the Ohio Treasurer of State.

For questions regarding the EFT payment program, see the Electronic Funds Transfer Via Ohio Treasurer of State (TOS) at [Business Tax - Pay Online](#) on our website at [tax.ohio.gov](http://tax.ohio.gov).

**If \$1.00 or less is owed, no payment is necessary.**

## **Schedule II – Adjustments to Federal Taxable Income**

### **Additions**

The following apply to both trusts and estates except where noted.

## **Line 23 – Federal and/or Non-Ohio State or Local Government Interest and Dividends Not Distributed**

Enter the following:

- Interest and/or dividends paid on obligations or securities from a non-Ohio state; AND/OR
- Interest and/or dividends paid on obligations or securities from a non-Ohio local government.

Do not include:

- Any amounts already included in federal taxable income;
- Interest and/or dividends paid on obligations or securities from Ohio;
- Interest and/or dividends paid on obligations or securities from an Ohio local government; AND
- Interest and/or dividends paid on obligations or securities from a U.S. territory.

See R.C. 5747.01(S)(1) and (2).

## **Line 24 – Pass-Through Entity Taxes Paid/Electing Pass-Through Entity Taxes Paid**

Enter the proportionate share of tax paid by a pass-through entity on the IT 1140 or an electing pass-through entity on the IT 4738 to the extent not included in computing taxable income or Ohio taxable income. These taxes may be reported to the trust/estate on an IT K-1 or provided with the federal K-1. See R.C. 5747.01(S)(11) and R.C. 5747.01(S)(15).

## **Line 24a - Taxes paid to another state or District of Columbia**

Enter taxes paid to another state or the District of Columbia if both of the following are true:

- The tax was enacted for purposes of complying with IRS notice 2020-75; **AND**
- The tax was deducted in computing the federal Ohio taxable income.

See R.C. 5747.01(S)(16).

## **Line 25 – Electing Small Business Trust (ESBT) Income**

Add the distributive share of income from an S corporation. This amount is apportionable business income and must be included on Schedule VII. Do not include on Schedule VIII.

**Note:** Such income is not included in the trust's federal taxable income.

See R.C. 5747.01(S)(13).

## **Line 26 – Losses from the Sale or Disposition of Ohio Public Obligations**

Enter any loss resulting from the sale/disposition of Ohio public obligations to the extent that such losses have been deducted in determining federal taxable income.

See R.C. 5747.01(S)(7) and 5709.76.

## **Line 27 – Reimbursement of Expenses**

Enter reimbursements received in 2023 for any expenses that the trust/estate deducted on a previously filed Ohio fiduciary income tax return if the amount of the reimbursement was not included in federal taxable income.

See R.C. 5747.01(S)(9)(b).

## **Line 29 – Personal Exemption (Estates Only)**

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

See R.C. 5747.01(S)(3).

Federal Conformity Adjustments (Estates and Trusts). Line 29 is also for federal conformity adjustments, however, the trust/estate must make all other required adjustments for this line.

For more information, see [Ohio Conformity Updates](#) at [tax.ohio.gov](http://tax.ohio.gov).

### Line 30 – Expenses Claimed on Ohio Estate Return

This line is no longer applicable. Enter -0- on this line. See R.C. 5747.01(S)(8).

#### **Deductions**

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

### Line 32 – Federal Interest and Dividends Exempt from State Taxation

Enter interest and dividend income, to the extent included in federal taxable income, from obligations issued by the United States government or its possessions/territories that are exempt from Ohio tax by federal law. A comprehensive list of deductible interest and dividends can be found in [Information Release IT 1992-01 – Exempt Federal Interest Income](#).

Examples of interest income that are **not** deductible:

- Interest paid by the IRS on a federal income tax refund;
- Interest income from Fannie Maes or Ginnie Maes.

See R.C. 5747.01(S)(4).

### Line 33 – State and Municipal Income Tax Refunds

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

See R.C. 5747.01(S)(9)(a).

### Line 34 – Losses from an ESBT

Deduct the distributive share of loss from an S corporation if the loss has not been directly or indirectly deducted in computing the trust's federal taxable income.



**This amount is apportionable business income and must be included on Schedule VII. Do not include on Schedule VIII.**

### Line 35 – Wage and Salary Expense Not Previously Deducted

Deduct the amount reported as work opportunity tax credit on the federal income tax return.

See R.C. 5747.01(S)(5).

### Line 36 – Interest/Gains from Ohio Public Obligations

Deduct interest income earned from Ohio public obligations and Ohio purchase obligations if the interest income was included in the federal taxable income. The trust/estate can also deduct any gains resulting from the sale or disposition of Ohio public obligations to the extent that the gain was included in the federal taxable income.

The trust/estate can also deduct income from a certain transfer agreement or an enterprise transferred under that agreement if the income was included in the federal taxable income. See R.C. 5747.01(S)(6), 5747.01(S)(7) and 5709.76.

### Line 37 – Refund or Reimbursements of a Prior Year Deduction

Deduct amounts included in the federal taxable income that represent refunds or reimbursements of expenses that were previously deducted on the federal 1041 return. Do not include any amounts shown on line 31. See R.C. 5747.01(S)(9)(a).

**Federal Conformity Adjustments.** Line 37 is also for federal conformity adjustments, however, the trust/estate must make all other required adjustments for this line.

For more information, see [Ohio Conformity Updates](#) at [tax.ohio.gov](http://tax.ohio.gov).

### Line 38 – Farm Income (Trusts Only)

Deduct any amount that a trust was required to report as farm income on its federal 1041 tax return but only if the assets of the trust directly or indirectly include at least 10 acres of land.

See R.C. 5747.01(S)(12) and 5713.30.

### Line 39 – IRC §168(k) bonus depreciation and §179 expense add-backs

For taxable years ending on or after October 3, 2023, the depreciation add-back is no longer required on the IT 1041. However, deductions for add-backs previously made are still permitted. Use the table on line 89 to calculate the current deductions from the prior year add-back amounts. Deduct:

- 1/5 of prior year 5/6 add-backs,
- 1/2 of prior year 2/3 add-backs, AND/OR
- 1/6 of prior year 6/6 add-backs,

of applicable §168(k) bonus depreciation and §179 expense add-backs on a prior year's IT 1041. The deduction must be taken in equal increments in consecutive tax years. If the deduction is missed in a taxable year, any unused portion from any given tax year is not eligible to be carried forward. Instead, the

PTE would have to amend the prior years' returns to claim the deduction.



**To the extent this amount is apportionable, it should be included on Schedule VII. If the amount is apportionable, do not include on Schedule VIII.**

Deduct only amounts that were added back by the trust/estate on a prior year's IT 1041. This deduction is available even if the asset is no longer owned by the trust/estate.

See R.C. 5747.01(S)(14) and (A)(18).

#### **Line 40 – Repayment of Income Reported in a Prior Year**

Deduct amounts, described in section 1341(a)(2) of the Internal Revenue Code, that the trust/estate repaid in the current tax year that was received and included in federal taxable income in a prior year if:

- The trust/estate recognized the amount as income on the federal return in a prior year;
- The trust/estate has not deducted this income on any other line on the Ohio income tax return for any tax year; AND
- In the year the trust/estate recognized the income, it did not qualify for either the Ohio resident or nonresident credit.

See R.C. 5747.01(S)(10).

#### **Schedule III – Estate Credits**

The credits listed on Schedule III are only available to an estate. They correspond to the credits found on Ohio's individual income tax return (IT 1040).

**Distribution of Credits.** When calculating estate credits, do not include any credit amounts that are allocable to a beneficiary. This includes credits based on income that is distributed to a beneficiary instead of being retained by the estate.

See R.C. 5747.01(S)(13).

#### **Line 43 – Retirement Income Credit**

To qualify for this credit, all of the following must be true:

- The decedent must have received retirement income from a pension, profit sharing or retirement plan (such as traditional IRAs, 401(k) plans);
- This income is included in the estate's federal taxable income (e.g., it was not distributed to any beneficiary);
- This income was received on account of the decedent's retirement; AND
- The decedent has not previously taken the Ohio lump sum retirement credit.

Credit Amount			Retirement Income Credit
Retirement income included in Estates' taxable income			
\$ 0	–	<b>\$ 500</b>	0
\$ 501	–	<b>\$ 1,500</b>	\$ 25
\$ 1,501	–	<b>\$ 3,000</b>	\$ 50
\$ 3,001	–	<b>\$ 5,000</b>	\$ 80
\$ 5,001	–	<b>\$ 8,000</b>	\$ 130
<b>\$ 8,001</b>	<b>or more</b>		\$ 200

The credit is based on the total retirement income included the estate's taxable income.

**The maximum credit per return is \$200.**

See R.C. 5747.055(B).

#### **Line 44 – Lump Sum Retirement Credit**

**Note:** If the estate takes this credit, it **cannot** take the retirement income credit on this year's return or any future return.

To qualify for this credit, all of the following must be true:

- The decedent must have received a total lump sum distribution on account of retirement;
- The distribution must have come from a qualified pension, retirement or profit sharing plan;
- This income was included in the estate's federal taxable income (e.g. it was not distributed to any beneficiary); AND
- The decedent has not previously claimed this credit.

Use the Lump Sum Worksheet on page 23 to calculate this credit.

See R.C. 5747.055(C).

#### **Line 45 – Senior Citizen's Credit**

To qualify for this credit, both of the following must be true:

- The decedent was at least 65 as of the date of death; AND
- The decedent has not previously taken the Ohio lump sum distribution credit.

**The credit is equal to \$50 per return.**

See R.C. 5747.055(F).

#### **Line 46 – Lump Sum Distribution Credit**

**Note:** If the estate takes this credit, it **cannot** take the \$50 senior citizen credit on this year's return or any future return.

To qualify for this credit, all of the following must be true:

- The decedent was at least 65 as of the date of death;
- The decedent must have received a total lump sum distribution from a qualified pension, retirement or profit sharing plan;
- This income was included in the estate's federal taxable income (e.g., it was not distributed to any beneficiary); AND
- The decedent has not previously claimed this credit.

Use the Lump Sum Worksheet on page 23 to calculate this credit.

See R.C. 5747.055(G).

#### **Line 47 – Child and Dependent Care Credit**

To qualify for this credit the decedent must have claimed the federal “credit for child and dependent care expenses” on federal form 2441. See Child and Dependent Care Credit Worksheet on page 22.

See R.C. 5747.054.

#### **Line 48 - Campaign Contribution Credit for Ohio Statewide Office or General Assembly**

An estate may claim this credit if the estate contributed money to the campaign committee of a candidate for any of the following Ohio offices:

- Governor / Lieutenant governor
- Secretary of state
- Auditor of state
- Treasurer of state
- Attorney general
- Chief justice of the Ohio Supreme Court
- Justice of the Ohio Supreme Court
- Ohio Board of Education
- Ohio Senate
- Ohio House of Representatives

The credit equals the amount contributed during the tax year up to \$50 per return. Contributions to local candidates (such as city or county officials) or federal candidates (such as President or U.S. Senator) do not qualify for this credit.

#### **48a – Scholarship Donation Credit**

To qualify for this credit, the estate must make a monetary donation on or before the unextended due date of the return to an eligible scholarship granting organization (SGO). The credit equals the lesser of \$750 or the total amount you donated to SGOs during the tax year. You may also include amounts donated prior to the unextended return due date. For a list of eligible SGOs, see [tax.ohio.gov/SGO](http://tax.ohio.gov/SGO). See also R.C. 5747.73.

#### **Line 49 – Credit for Work-Based Learning Experiences and/or Ohio Adoption Credit Carryforward**

This Credit for Work-Based Learning Experiences is granted by the Ohio Department of Education (ODE). To claim the credit, attach a copy of the certificate from ODE that indicates the amount of the credit and

the tax year for which the credit is awarded. For more information about the requirements for the credit, visit [education.ohio.gov](http://education.ohio.gov).

See R.C. 5747.057.

The Ohio adoption credit was repealed and is no longer available. However, this nonrefundable credit had a five-year carryforward. Therefore, you may continue to claim any unused credit for the five-year period or until it is fully utilized.

See former R.C. 5747.37, repealed in 2023 Am. Sub. H.B. No. 45.

#### **Schedule IV – Estate Ohio Resident Credit**

To determine the income taxes paid to another state or the District of Columbia, the estate must use IT RCTE. See page 16 for the IT RCTE instructions.

The credit equals the lesser of the income taxes paid to another state or the District of Columbia, or the portion of the Ohio tax liability attributable to income taxed by another state. Nonresident estates are not entitled to this credit.  
See R.C. 5747.05(B).

#### **Schedule V – Estate Nonresident Credit**

Nonresident estates should enter the portion of Ohio taxable income on line 3 that is not apportioned or allocated to Ohio. To determine the portion of the Ohio taxable income (IT 1041, line 3) that is not apportioned or allocated to Ohio, the estate must use form [IT NRCE](#) obtained at [tax.ohio.gov](http://tax.ohio.gov). Include this form with the IT 1041.

See R.C. 5747.05(A), 5747.20, 5747.21 and 5747.231.

#### **Schedule E – Nonrefundable Business Credits**

Use Schedule E to claim nonrefundable business credits. The trust/estate may obtain Schedule E at [tax.ohio.gov](http://tax.ohio.gov).



**Trust/estate is only entitled to the portion of the Schedule E credit that relates to the retained earnings in the trust/estate.**

See R.C. 5747.02(C)(3).

#### **Schedule VI – Allocated Qualifying Trust Amounts**

##### **Line 59 – Allocated Qualifying Trust Amounts**

A trust's income is a “qualifying trust amount” if all of the following are true:

- The income is included in the trust's Ohio taxable income (IT 1041, line 3);
- The income is a capital gain or loss from the sale, exchange or other disposition of either an



ownership interest in, or debt obligations of, a qualifying investee;

- The trust owns at least 5% of the qualifying investee at any time during the 10-year period ending on the last day of the trust's tax year; AND
- The book value of the qualifying investee's physical assets is available.

A "qualifying investee" is any entity in which a trust has an ownership interest, or an entity or unit of government in which the trust owns debt obligations. Information is "available" if it can be obtained by the trust's due date for filing the IT 1041.

Most income is not a qualifying trust amount. Instead, it is modified business income, qualifying investment income, or modified nonbusiness income.

See R.C. 5747.01(AA)(2),(5) and (6) and 5747.011. See also [T. Ryan Legg Irrevocable Trust v. Testa, 2016-Ohio-8418](#).

#### **Line 60 - Percentage of Closely Held Investee's Physical Assets Located Within Ohio**

The percentage is calculated as follows:

Net book value of the qualifying investees physical assets in Ohio

Net book value of the qualifying investees physical assets everywhere

"Net book value" is the asset's cost minus its accumulated depreciation. If the qualifying trust amount from capital gains/losses was recognized due to the sale, exchange or other disposition of more than one investment, then the fiduciary must make a separate calculation for each gain or loss.

**Note:** If the qualifying investee is a member of a qualifying controlled group, as defined in R.C. 5733.04(M), then special rules apply for purposes of calculating the Ohio ratio.

See R.C. 5747.01(AA)(5)

#### **Schedule VII - Apportioned Income for Trusts**

#### **Line 62 - Business Income and Qualifying Investment Income**

Enter the trust's portion of Ohio taxable income (line 3) not included on line 59 to the extent such income is either of the following:

- **Modified Business income/loss:** Income included in a trust's Ohio taxable income after such taxable income is first reduced by the qualifying trust amount, if any. Electing Small Business Trust (ESBT) income is apportionable to Ohio as modified business income and is reported in Schedule VII. See R.C. 5747.01(AA)(1) and 5747.01(S)(13).

- **Qualifying investment income/loss:** Income attributable to transaction fees for the acquisition, ownership, or disposition of intangible property, including the following:

- Loan fees;
- Financing fees;
- Consent fees;
- Waiver fees;
- Application fees;
- Net management fees;
- Dividend income;
- Interest income;
- Net capital gains from the sale, exchange, or other disposition of intangible property; AND
- All types and classifications of income from distributive shares of income from other PTEs.
- This list is not all inclusive. See R.C. 5747.012.

See R.C. 5747.01(AA)(1) and 5747.013

#### **Schedule VIII - Allocated Nonbusiness Income for Trusts**

#### **Line 65 - Resident Trusts: Portion of Ohio Taxable Income**

Resident trusts enter the trust's Ohio taxable income (line 3) not reported on lines 59 or 62.

#### **Line 66 - Nonresident Trusts: Trust's Portion of Ohio Taxable Income**

Nonresident trusts enter the following types of nonbusiness income to the extent included in the trust's Ohio taxable income (line 3) and not reported on lines 59 or 62:

- Capital gains or losses from the sale, exchange or transfer of Ohio real property and/or Ohio-based tangible personal property;
- Rents and royalties from Ohio real property and/or tangible personal property used in Ohio,
- Patents and copyright royalties used by the payor in Ohio; AND
- Ohio Lottery Commission winnings and gains and/or losses from the sale or transfer of such winnings.

**Note:** If distributive share is business income/loss from a pass-through entity, use Schedule VII.

See R.C. 5747.01(AA)(3).

#### **Schedule IX - Tax Credit for Resident Trusts**

**Note:** The credit must be taken prior to taking any other credit.

To determine the income taxes paid to another state or the District of Columbia, the estate must use the IT RCTE form available at [tax.ohio.gov](http://tax.ohio.gov).

The credit equals the lesser of the income taxes paid to

another state or the District of Columbia, or the portion of the Ohio tax liability attributable to nonbusiness income taxed by another state. Nonresident portions of the trust are not entitled to this credit.

See R.C. 5747.02(C)(2).

### Line 68 – Portion Taxed by Another State

Enter the portion of the resident trust's allocated nonbusiness income (line 65) subjected to tax by another state or in the District of Columbia.

**Example:** The Pat Smith Trust, a resident trust, has modified Ohio taxable income of \$75,000 from dividends. The dividends are modified nonbusiness income. The tax shown on line 8 is \$2,061. The trust paid \$1,100 to another state based on \$25,000 of taxable income, which was reported to that state. The trustee would calculate the resident tax credit as follows:

Line 68	\$25,000	Line 72	\$688
Line 69	\$2,061	Line 73	\$1,100
Line 70	\$75,000	Line 74	\$688
Line 71	0.0275		

### Schedule X - Apportionment Factors

The three factors comprising the total weighted apportionment ratio are 20% property, 20% payroll, and 60% sales.

**NOTE:** If the "total everywhere" amount of any factor is zero, the weights of the remaining factors must be proportionately increased to result in a total weighted ratio of 100%.

**Example:** If the entity has no payroll, it must reweight its property factor to 25% and its sales factor to 75%.

If a trust owns an interest in a PTE, when calculating its apportionment ratio it **must** include its proportionate share of the other PTE's "Within Ohio" portion and the "Total Everywhere" portion of property, payroll and sales. These amounts are reported by the PTE in the "Entity Apportionment Percentage" section of the IT K-1 issued to the trust.

**NOTE:** A trust or estate may request, in writing with a timely filed original or amended return, an alternative form of apportionment instead of the method listed above. Such request is only valid if approved by the Department.

See R.C. 5747.01(AA)(4), 5747.013(B) and 5747.231.

### Property Factor

The Property Factor is the ratio of:

$$\frac{\text{Average value of property in Ohio}}{\text{Average value of property everywhere}}$$

"Property" includes any real and tangible personal property that is owned, rented, subrented, leased and/

or subleased in the course of a trade or business by the trust or other PTEs owned by the trust. Property does not include the following:

- Construction in progress;
- Property not used in a trade or business;
- Property for which Ohio has issued an air, noise, or industrial water pollution control certificate; AND
- Property used exclusively during the tax year for qualified research.

**Note:** The original cost of qualifying improvements to property in an enterprise zone, for which Ohio has issued a Tax Incentive Qualification Certificate, should only be included in Total Everywhere.

The "average value" of business property is calculated by averaging the total value of all applicable property owned or rented at the beginning and end of the tax year.

See R.C. 5747.013(B)(1)(b).

### Line 75a – Property Owned

**Within Ohio:** Enter the average value of all Ohio property owned by the business during the tax year.

**Total Everywhere:** Enter the average value of all property owned by the business during the tax year.

Property owned by the business is valued at its original cost.

### Line 75b – Property Rented

**Within Ohio:** Enter the average value of all Ohio business property rented by the trust during the tax year.

**Total Everywhere:** Enter the average value of all business property rented by the trust during the tax year.

**Note:** Business property rented by the trust is valued at eight times the net annual rental rate (annual rental expense less sub-rental receipts).

### Payroll Factor

The payroll factor is the ratio of:

$$\frac{\text{Total compensation in Ohio}}{\text{Total compensation everywhere}}$$

"Compensation" means any form of remuneration paid to an employee for personal services. Compensation does not include any of the following:

- Amounts paid to employees for services unrelated to a trade or business;
- Amounts reclassified as a distributive share of income from a pass-through entity under R.C. 5733.40(A)(7); AND
- Amounts paid to employees who are primarily



engaged in qualified research.

**Note:** Compensation paid to certain employees at an urban job and enterprise zone facility, for which Ohio has issued a Tax Incentive Qualification Certificate, should be included only in total compensation everywhere.

See R.C. 5747.013(B)(2).

## Line 76 – Payroll

**Within Ohio:** Enter the total compensation paid in Ohio during the tax year. Compensation is paid in Ohio if any of the following apply:

- The employee's job is entirely in Ohio;
- The employee's job is primarily in Ohio with only incidental work outside Ohio;
- The employee performs services in Ohio and either the headquarters, or, if no headquarters exists, the place from which the service is directed or controlled, is in Ohio; AND/OR
- The employee is a resident of and performs some services in Ohio, and the headquarters or the place from which the service is directed or controlled is not in any state in which some part of the service is performed.

Compensation paid to any employee of a common or contract motor carrier who performs regularly assigned duties in more than one state should be assigned to Ohio by the ratio of mileage traveled by the employee in Ohio to the total mileage traveled by the employee everywhere during the taxable year.

Mileage Traveled by Employee in Ohio

Total Mileage Traveled by Employee Everywhere

**Total Everywhere:** Enter the total compensation paid everywhere during the tax year.

See R.C. 5747.013(B)(2).

## Sales Factor

The sales factor is a ratio of:

Sales in Ohio  
Sales everywhere

“Sales” includes gross business receipts such as:

- Receipts from the sale of real property, tangible personal property, or services;
- Receipts from rents and royalties from real and tangible personal property; **OR**
- Receipts from the transfer of or the right to use intellectual property such as trademarks, trade names, patents, and copyrights

“Sales” **does not** include any of the following:

- Receipts from the transfer of real or tangible personal property that is either a capital asset or an Internal Revenue Code section 1231 asset; AND

- Receipts from sales to certain public utilities, insurance companies, and financial institutions described in R.C. 5747.013(B)(3).

**Note:** Income amounts excluded from the sales factor may still be considered business income under Ohio law. R.C. 5747.013.

## Line 77 – Sales

**Within Ohio:** Enter gross receipts from sales within Ohio during the tax year. Sales within Ohio include all of the following:

- Receipts from sales of tangible personal property, less returns and allowances, to the extent the property was received by the purchaser in Ohio; AND
- Receipts from sales, other than tangible personal property if:
  - The income-producing activity is performed entirely within Ohio; OR
  - The income-producing activity is performed both within and without Ohio and a greater proportion of the income-producing activity is performed within Ohio than in any other state, based on cost of performance.

If the income-producing activity involves the performance of personal services both within and without Ohio, the services performed in each state will constitute a separate income-producing activity.

In such case the gross receipts for the performance of services attributable to Ohio shall be measured by the ratio that the time spent in performing such services in Ohio bears to the total time spent in performing such services everywhere. Time spent in performing services includes the amount of time expended in the performance of a contract or other obligations that gives rise to such gross receipts.

Personal service not directly connected with the performance of the contract or other obligations (for example, time expended in negotiating the contract) is excluded from the computation.

The term “income-producing activity” means, with respect to each separate item of income, the transaction and activity directly engaged in by the taxpayer in the regular course of its trade or business for the purpose of obtaining gains or profits. Such activity does not include transactions and activities performed on behalf of the taxpayer, such as those conducted on its behalf by an independent contractor.

The term “cost of performance” means direct costs determined in a manner consistent with generally accepted accounting principles and in accordance with accepted conditions or practices in the taxpayer's trade or business. For purposes of this term, receipts from rental property are situated to this state if the property (i) is used entirely in this state or (ii) is used more in this state than in any other state.

**Note:** For tangible personal property, where the property is “received by the purchaser” is not the same as where the purchaser takes physical or legal possession. Instead, it is considered “received” where it is ultimately used by the purchaser.

**Total Everywhere:** Enter the gross receipts from sales everywhere during the tax year.

See R.C. 5747.013(B)(3).

#### **Schedule XI - Net Payment Worksheet**

**Note:** Please do not include refundable business credits on this schedule.

#### **Schedule XII - Refundable Business Credits**

**Note:** The trust/estate can only claim the distributive share of direct and indirect refundable business credits attributable to the trust/ estate’s retained earnings. Credits related to income distributed by the trust/ estate must be claimed by the beneficiary.

See R.C. 5747.02(C)(3).

#### **Line 81 – Motion Picture and Broadway Production Credit**

This credit is granted by the Ohio Department of Development (ODOD). To claim the credit, the trust/estate must attach a copy of the certificate from ODOD that indicates the amount of the credit and the tax year for which the credit is awarded. Additionally, if this credit is based on the trust’s/estate’s ownership of a PTE that holds the certificate, the trust/estate must also include, when filing its return, documentation of the portion of the credit to which the trust/estate is entitled. This amount can be refunded, in whole or in part, to the extent that it exceeds the trust’s/estate’s total Ohio tax liability.

For additional information about the requirement for this credit, visit the Ohio Department of Development’s website at [development.ohio.gov](http://development.ohio.gov), or call 1-800-848-1300.

See R.C. 5747.66.

#### **Line 82 – Refundable Job Creation Credit and Job Retention Credit**

These credits are granted by the Ohio Department of Development (ODOD). To claim the credit, the trust/estate must attach a copy of the certificate from ODOD that indicates the amount of the credit and the tax year for which the credit is awarded. Additionally, if this credit is based on the trust’s/estate’s ownership of a PTE that holds the certificate, the trust/estate must also include, when filing its return, documentation of the portion of the credit to which the trust/estate is entitled. This amount can be refunded, in whole or in part, to the extent that it exceeds the trust’s/estate’s total Ohio tax liability.

For additional information about the requirements for this credit, see the Ohio Department of Development’s website at [development.ohio.gov](http://development.ohio.gov), or call 1-800-848-1300.

See R.C. 5747.058(A), 122.171, and former R.C. 122.171(B).

#### **Line 83 – Pass-Through Entity Credit**

This credit is for taxes paid on the trust’s/estate’s behalf by a PTE on its IT 4708, IT 4738, or IT 1140. To claim this credit, attach a copy of the IT K-1 issued to this trust/estate by the PTE reporting:

- Income taxes paid by the PTE (IT K-1, line 3); AND/OR
- Indirect PTE credits (IT K-1, line 4) from taxes paid by a PTE the trust/estate indirectly owns.

If the trust/estate does not have an IT K-1, the trust/estate must provide a narrative and/or diagram, including ownership percentages and FEINs, detailing the ownership structure of the PTEs.

See 5747.08(I), 5747.059, and 5747.39.

#### **Line 84 – Venture Capital Credit**

This credit is granted by the Ohio Department of Development (ODOD). To claim the credit, the trust/estate must attach a copy of the certificate from ODOD that indicates the amount of the credit and the tax year for which the credit is awarded. Additionally, if this credit is based on the trust’s/estate’s ownership of a PTE that holds the certificate, the trust/estate must also include, when filing its return, documentation of the portion of the credit to which the trust/estate is entitled. This amount can be refunded, in whole or in part, to the extent that it exceeds the trust’s/estate’s total Ohio tax liability.

For additional information about the requirement for this credit, see the Ohio Department of Development’s website at [development.ohio.gov](http://development.ohio.gov), or call 1-800-848-1300.

See R.C. 5747.80.

#### **Line 85 – Historic Preservation Credit**

This credit is granted by the Ohio Department of Development, (ODOD). To claim the credit, the PTE must attach a copy of the certificate from ODOD that indicates the amount of the credit and the tax year for which the credit is awarded. Additionally, if this credit is based on the PTE’s ownership of another PTE that holds the certificate, the PTE must also include, when filing its return, documentation of the portion of the credit to which the PTE is entitled. For credits approved after September 13, 2022 and before July 1, 2024, the maximum annual credit amount was increased from \$5,000,000 to \$10,000,000 per taxable year, and the entire credit can be taken as a refundable credit.

For additional information about the requirements for this credit or the new enhanced credit visit [development.ohio.gov](http://development.ohio.gov), or call 1-800848-1300.

See R.C. 5747.76 and 149.311(l).

### Schedule XIII - IRC §168(k) Bonus Depreciation and §179 Expense Add-back Schedule

#### Line 89 - Prior Years Add-Back Amount and Applicable Add- Back Ratio

Use this table to calculate the current deductions from prior year add-back amounts and applicable ratios and report on line 39.

§168(k) Bonus Depreciation and §179 Expense Deduction Worksheet					
Tax Year	A Source of Depreciation	B Depreciation Add-back Amount	C Add-back Ratio (2/3, 5/6, 6/6)	D Deduction Period	E Annual Depreciation Deduction Amount
2022					
2021					
2020					
2019					
2018					

Column B: Enter the depreciation expense add-back.  
Column C: Enter the ratio used (5/6, 2/3, or 6/6) to calculate the depreciation expense add-back.  
Column D: Enter the deduction period based on the following chart:

Add-back Ratio	Deduction Period
5/6	5 Years
2/3	2 Years
6/6	6 Years

Column E: Divide the amount in Column B by Column D. This is the “annual depreciation deduction amount” for the deduction period. Report the amount on line 39.

**Note:** In a given tax year, the trust/estate may need to report a mixture of add-back ratios on Schedule XIII, due to investment in multiple PTEs. In this scenario, check the 5/6 box and provide an explanation of the ratio. The trust/estate may wish to attach this explanation to future years’ returns.

Follow the same procedure for the beneficiaries of the Trust on the IT K-1 under Depreciation Information and fill out the Supplemental Information portion.

### Schedule XIV - Beneficiary Schedule

Include **all** resident and nonresident beneficiaries of the estate or trust.

**Matching Expense and Loss Amounts  
and Distribution Deductions Against Income and Gain  
For use when calculating the portion of a fiduciary's expenses,  
losses, and distributions deduction related to its income.**

The fiduciary should directly match items of income and gain with any directly related expenses and losses.

For amounts that the fiduciary cannot directly match to items of income and gain, the fiduciary should **proportionately** assign those expenses and distributions. Generally, the basis for assigning expenses, losses and distributions will be the relative income or gain related to each activity.

### **Example #1 - Assigning Direct Distributions**

The trust document directs the fiduciary to distribute to Lee, a beneficiary, 75% of the yearly profit from rental activities.

- The profit from these rental activities is \$100,000 of business income.
- The trust had no other income and the only distribution to Lee from the trust was \$75,000.

The fiduciary must reduce the trust's rental profit by the distribution deduction attributable to the rental profit (in this example, 75% of the rental activity profit). So the amount to be shown on Schedule VII, line 62, will be \$25,000.

### **Example #2 - Assigning Direct and Indirect Distributions, Expenses and Losses**

The Trust has the following amounts listed on its Federal 1041:

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

Taxable income per IRS form 1041      \$ 630,000

Additionally, assume the following:

- The rental profit constitutes business income;
- All other income and gain constitute nonbusiness income;
- There are no "Schedule II" Ohio adjustments (so Ohio taxable income equals federal taxable income); **AND**
- There are no amounts to report on IT-1041 Schedules VI or VII; **AND**

• Income from the federal schedule is categorized as follows:

- (A) = Rental Activity
- (B) = Portfolio Income
- (C) = Indirect Expense and Deductions

The total indirect expense and deductions for this trust are \$70,000. The expenses to the specific income categories are calculated as follows:

#### **(A) Rental Activity**

Rents	\$ 530,000
Less: Depreciation expense	- 100,000
Real estate taxes and payroll expenses	- 25,000
Attorney fees (for lease preparations)	- 5,000

Tentative apportionable profit from rental activities (business income)      \$ 400,000

#### **(B) Portfolio Income**

Dividends, interest and net capital gains	\$ 301,000
Less: Investment advisor fees	- 1,000

Tentative profit from "portfolio" income (nonbusiness income)      \$ 300,000

**Total income excluding \$70,000 indirect expense is \$700,000.**

Calculate the portion of \$70,000 indirect expense for each income category as follows:

#### **Rental Activity (Schedule VII):**

Divide by total income \$700,000 excluding indirect expense of \$70,000:

$$\frac{\$ 400,000}{\$ 700,000} = .571428$$

$$\text{Multiply: } \$ 70,000 \times .571428 = \$40,000$$

**Rental income - assigned rental expense**  
**\$400,000 - \$40,000 = \$360,000**

#### **Portfolio Income (Schedule VIII):**

Divide by total income \$700,000 excluding indirect expense of \$70,000:

$$\frac{\$ 300,000}{\$ 700,000} = .428571$$

$$\text{Multiply: } \$ 70,000 \times .428571 = \$30,000$$

**Portfolio income - assigned portfolio expense**  
**\$300,000 - \$30,000 = \$270,000**



## Matching Allocation Based on Distributions Made

**This guide is useful when calculating credits for a trust/estate when distributions are made.**

The fiduciary must split credits between the trust/estate and its beneficiaries based on the fiduciary's retained earnings and distributions to its beneficiaries. The proportionate share of the credits must follow the distribution to the beneficiaries of the trust or estate.

See R.C. 5747.02(C)(3), R.C. 5747.08(I) and R.C. 5747.059.

### **Example #1 - Full distribution of income**

An estate receives a W2 reporting \$100,000 of income and \$1,000 of Ohio withholding. The income is included on the estate's federal 1041 as "adjusted total income" but is then deducted as an "income distribution deduction". The income was distributed to the estate's sole beneficiary, an individual.

Because 100% of the income is distributed to the estate's beneficiary, the beneficiary is entitled to 100% of the \$1,000 of Ohio withholding when filing the IT 1040. The estate cannot claim the credit; the estate should issue an IT K-1 to the beneficiary reflecting the withholding.

### **Example #2 - Partial distribution of income**

A trust receives a 1099 reporting \$150,000 of income and \$3,000 of Ohio withholding. The income is included on the trust's federal 1041 as "adjusted total income" and \$50,000 is deducted as an "income distribution deduction". The income was distributed to the trust's sole beneficiary, an individual.

Because 1/3rd of the income is distributed to the trust's beneficiary, the beneficiary is entitled to 1/3rd of the \$3,000 of Ohio withholding when filing the IT 1040. The trust can claim 2/3 of the \$3,000 withholding when filing the IT 1041. The trust should issue an IT K-1 to the beneficiary reflecting the 1/3 withholding.

### **Example #3 - Partial distribution based on type of income**

The trust is an investor in a pass-through entity (PTE). The trust receives:

- A federal K-1 showing \$200,000 of PTE income.
- An IT K-1 showing \$17,000 in "Ohio tax paid on behalf of this investor/beneficiary (net of overpayments)".
- A capital gain of \$50,000 from its own investment of trust assets.

The income is included on the trust's federal 1041 as "adjusted total income"; \$200,000 is then deducted as an "income distribution deduction". The income was distributed to the trust's sole beneficiary, an individual.

Because this trust has income from multiple sources, the amount of the distribution of the credit depends on what income was retained, and what income was distributed by the trust.

(A) If the trust distributes the \$200,000 of income from the PTE and retains the \$50,000 capital gain:

- The beneficiary is entitled to claim 100% of the \$17,000 PTE credit on the individual's IT 1040.
- The trust is not entitled to the PTE credit on its IT 1041.

(B) If the trust distributes \$150,000 of income from the PTE and the \$50,000 capital gain, and retains the remaining \$50,000 of income from the PTE:

- The beneficiary is entitled to 75% of the \$17,000 PTE credit (\$12,750) on the individual's IT 1040.
- The trust is entitled to 25% of the \$17,000 PTE credit (\$4,250) on its IT 1041. The trust should issue an IT K-1 to the beneficiary reflecting the indirect PTE credit.

## Child and Dependent Care Credit Worksheet

1. Enter your Ohio taxable income, IT 1041 line 3 ..... 1. \_\_\_\_\_  
If line 1 is \$40,000 or more, STOP. You do not qualify for this credit.
2. Enter the amount on your federal form 2441, line 9c ..... 2. \_\_\_\_\_
3. Enter 25% of the amount on your federal form 2441, line 11 ..... 3. \_\_\_\_\_
4. If line 1 of this worksheet is less than \$20,000, enter the amount from line 2.  
If line 1 is equal to or greater than \$20,000 but less than \$40,000, enter the amount from line 3.  
This is your credit. Enter on line 47 of the IT 1041. .... 4. \_\_\_\_\_

## Lump Sum Retirement Credit Worksheet

**Do not include any retirement income that has been deducted or otherwise excluded from federal adjusted gross income or Ohio adjusted gross income.**

1. Enter all retirement income included in your Ohio taxable income (Ohio IT 1041, line 3).....1. \_\_\_\_\_
  2. Using Table 1 below, enter the multiple corresponding to the lump sum recipient's age.....2. \_\_\_\_\_
  3. Divide line 1 by line 2.....3. \_\_\_\_\_
  4. Using Table 2 below, enter the retirement income credit based on the amount on line 3.....4. \_\_\_\_\_
  5. Line 2 times line 4. This is your lump sum retirement credit. Enter on line 44 of IT 1041 ..... 5. \_\_\_\_\_
- If line 5 is greater than tax liability, IT 1041 line 8, continue to lines 6a-c. Otherwise, stop here.
- 6a. Line 5 minus tax liability on line 8 of IT 1041 ..... 6a. \_\_\_\_\_
  - 6b. Subtract 1 from the amount on line 2.....6b. \_\_\_\_\_
  - 6c. Divide line 6a by line 6b. This is your lump sum retirement credit for future tax years.....6c. \_\_\_\_\_

**Line 1:** "Retirement income" means retirement benefits, annuities, or distributions that are made from or pursuant to a pension, retirement, or profit-sharing plan. Additionally, these amounts must have been received on account of retirement and must be included in your Ohio taxable income.

**Do not** include any of the following:

- Rollovers from one retirement plan into another that are not included in your federal adjusted gross income,
- Any Social Security benefits.

**Line 2:** Use the recipient's age as of the last day of the tax year (generally, December 31).

**Line 6:** If your lump sum retirement credit is greater than your tax liability, complete lines 6a through

6c to calculate your lump sum retirement credit for future tax years.

**Line 6b:** Subtract 1 from the amount you entered on line 2 of this worksheet. For example, if your multiple on line 2 was 19.2, you would enter 18.2 (19.2 - 1) on this line. Do not round.

**Line 6c:** Report this amount in each subsequent tax year as your lump sum retirement credit.

## Lump Sum Distribution Credit Worksheet

1. Using Table 1 below, enter the multiple corresponding to the lump sum recipient's age.....1. \_\_\_\_\_
2. Line 1 times \$50. This is your lump sum distribution credit. Enter on the Ohio IT 1041 line 6 .....2. \_\_\_\_\_

**Line 1:** Use the recipient's age as of the last day of the tax year (generally, December 31). Remember, this credit is not available to individuals younger than 65.

Table 1

Age	Multiple	Age	Multiple	Age	Multiple	Age	Multiple	Age	Multiple
31	51.2	48	34.9	65	20.0	82	8.4	99	2.8
32	50.2	49	34.0	66	19.2	83	7.9	100	2.7
33	49.3	50	33.1	67	18.4	84	7.4	101	2.5
34	48.3	51	32.2	68	17.6	85	6.9	102	2.3
35	47.3	52	31.3	69	16.8	86	6.5	103	2.1
36	46.4	53	30.4	70	16.0	87	6.1	104	1.9
37	45.4	54	29.5	71	15.3	88	5.7	105	1.8
38	44.4	55	28.6	72	14.6	89	5.3	106	1.6
39	43.5	56	27.7	73	13.9	90	5.0	107	1.4
40	42.5	57	26.8	74	13.2	91	4.7	108	1.3
41	41.5	58	25.9	75	12.5	92	4.4	109	1.1
42	40.6	59	25.0	76	11.9	93	4.1	110	1.0
43	39.6	60	24.2	77	11.2	94	3.9	111	0.9
44	38.7	61	23.3	78	10.6	95	3.7	112	0.8
45	37.7	62	22.5	79	10.0	96	3.4	113	0.7
46	36.8	63	21.6	80	9.5	97	3.2	114	0.6
47	35.9	64	20.8	81	8.9	98	3.0	115	0.5

Table 2

Retirement income included in Ohio adjusted gross income		Retirement income credit
0	– \$ 500	0
\$ 501	– \$ 1,500	\$ 25
\$ 1,501	– \$ 3,000	\$ 50
\$ 3,001	– \$ 5,000	\$ 80
\$ 5,001	– \$ 8,000	\$ 130
\$ 8,001	or more	\$ 200