

**Estimated Income Tax for Estates
and Trusts**

Section references are to the Internal Revenue Code.

1997**Paperwork Reduction Act
Notice**

We ask for the information on the payment vouchers to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The time needed to complete the worksheets and prepare and file the payment vouchers will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	20 min.
Learning about the law or the form	10 min.
Preparing the form	58 min.
Copying, assembling, and sending the form to the IRS	1 hr., 1 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this package simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the payment vouchers to this address. Instead, see **Where To File** on page 2.

A Change To Note

For tax years beginning after 1996, an electing small business trust may be a shareholder in an S corporation. The part of the trust that consists of stock in one or more S corporations is treated as a separate trust for purposes of figuring the trust's income tax. Generally, this part of the trust's income is taxed at 39.6% on ordinary income and 28% on net capital gain. For more details, see sections 641(d) and 1361(e).

Purpose of Form

Use this package to figure and pay estimated tax for an estate or trust.

Estimated tax is the amount of tax an estate or trust expects to owe for the year after subtracting the amount of any tax withheld and the amount of any credits.

This package is primarily for first-time filers. After the IRS receives the first payment voucher, the estate or trust will receive a 1041-ES package with the name, address, and employer identification number (EIN) preprinted on the vouchers for the next tax year. Unless the fiduciary is a financial institution subject to the magnetic tape filing requirement, use the preprinted vouchers. If you, as fiduciary, did not receive any 1997 preprinted vouchers, use the vouchers in this package. However, do not use the vouchers to notify the IRS of a change of address. If the fiduciary has moved, use **Form 8822**, Change of Address, and send it to the service center where you file the estate's or trust's tax return.

**Who Must Make Estimated
Tax Payments**

Generally, a fiduciary of an estate or trust must pay estimated tax if the estate or trust is expected to owe, after subtracting its withholding and credits, at least \$500 in tax for 1997 and can expect its withholding and credits to be less than the smaller of:

1. 90% of the tax shown on the 1997 tax return; or
2. 100% of the tax shown on the 1996 tax return (110% of that amount if the estate's or trust's adjusted gross income (AGI) on that return is more than \$150,000, and less than $\frac{2}{3}$ of gross income for 1996 or 1997 is from farming or fishing). To figure the estate's or trust's AGI, see the line 15b instructions for **Form 1041**, U.S. Income Tax Return for Estates and Trusts.

However, if a return was not filed for 1996 or that return did not cover a full 12 months, item 2 does not apply.

For this purpose, household employment taxes are not included when figuring the tax shown on the tax return and are not required to be included when figuring estimated tax payments. However, the estate or trust may choose to include these taxes when paying estimated tax to avoid a large balance due at the time Form 1041 is due.

Exceptions.—Estimated tax payments are not required from:

1. An estate of a domestic decedent or a domestic trust that had no tax liability for the full 12-month 1996 tax year;
2. A decedent's estate for any tax year ending before the date that is 2 years after the decedent's death; or
3. A trust that was treated as owned by the decedent if the trust will receive the residue of the decedent's estate under the will (or if no will is admitted to probate, the trust primarily responsible for paying debts, taxes, and expenses of administration) for any tax year ending before the date that is 2 years after the decedent's death.

**How To Figure Estimated
Tax**

Use the **1997 Estimated Tax Worksheet** on page 3; the **1997 Tax Rate Schedule** on page 4; and the estate's or trust's 1996 tax return as a guide for figuring the 1997 estimated tax.

If the estate or trust receives its income unevenly throughout the year, it may be able to lower or eliminate the amount of its required estimated tax payment for one or more periods by using the annualized income installment method. Get **Pub. 505**, Tax Withholding and Estimated Tax, for details.

Most of the items on the Estimated Tax Worksheet are self-explanatory. However, the instructions below provide additional information for filling in certain lines.

Line 4—Exemption

Decedent's estate.—A decedent's estate is allowed a \$600 exemption.

Trust.—A trust that is required by its governing trust instrument to distribute all its income currently is allowed a \$300 exemption, even if it distributes amounts other than income during the tax year. All other trusts are allowed a \$100 exemption.

Line 8—Additional Taxes

Enter any additional taxes from:

- **Form 4972**, Tax on Lump-Sum Distributions; or
- Section 644 tax on trusts.

Line 10—Credits

For details on credits you may claim, see the instructions for line 2, Schedule G, Form 1041.

Line 12—Other Taxes

Enter any other taxes such as:

- Alternative minimum tax.
- Tax from recapture of investment credit, low-income housing credit, qualified electric vehicle credit, or the Indian employment credit.
- Tax on accumulation distribution of trusts.
- Tax figured under section 641(d) on income attributable to S corporation stock held by an electing small business trust.

Do not include household employment taxes; these taxes are not required to be paid until Form 1041 is due (not including extensions).

When To Make Estimated Tax Payments

Trusts.—The trust may pay all of its estimated tax by April 15, 1997, or in four equal installments due by the following dates:

1st installment . . . April 15, 1997
2nd installment . . . June 16, 1997
3rd installment . . . Sept. 15, 1997
4th installment . . . Jan. 15, 1998

Note: *The trust does not have to make the payment due on January 15, 1998, if it files the 1997 Form 1041 by February 2, 1998, AND pays the entire balance due with the return.*

Estates.—If the estate has adopted a calendar year as its tax year, file using the rules listed under **Trusts** above.

If the estate has adopted a fiscal year, it may pay all of its estimated tax by the 15th day of the 4th month of its 1997 tax year or in four equal installments due on the 15th day of the 4th, 6th, and 9th month of the 1997 tax year, and the 1st month of the following year.

Note: *The estate does not have to make the payment due on the 15th day of the 1st month of the next tax year if it files the 1997 Form 1041 by the last day of the 1st month following the close of the fiscal year, AND pays the entire balance due with the return.*

If any date falls on a Saturday, Sunday, or legal holiday, the installment is due on the next business day.

If, after March 31, 1997, or after the last day of the 3rd month of the fiscal tax year, the estate or trust has a large enough change in income to require the payment of estimated tax, figure the amount of each installment by

using the annualized income installment method, as explained in Pub. 505.

Farmers and fishermen.—If at least two-thirds of gross income for 1996 or 1997 is from farming or fishing, do one of the following:

- Pay the total estimated tax (line 16 of the Worksheet) by January 15, 1998; or
- File Form 1041 for 1997 by March 2, 1998, and pay the total tax due. In this case, do not make estimated tax payments for 1997.

For fiscal year estates, pay the total estimated tax by the 15th day of the 1st month following the close of the tax year, or file Form 1041 by the 1st day of the 3rd month following the close of the tax year.

How To Complete and Use the Payment Vouchers

Each payment voucher has the date when the voucher is due for calendar year estates and trusts. Be sure to use the correct voucher. Complete and send in the voucher **only** if you are making a payment. To complete your voucher:

- Enter the estate's or trust's name and EIN, and the fiduciary's name, title, and address in the spaces provided on the payment voucher.
- Enter on the payment line of the voucher only the amount the estate or trust is sending in. When making payments of estimated tax, be sure to take into account any 1996 overpayment that the estate or trust chose to credit against its 1997 tax, but do not include the overpayment amount on this line.
- Enclose, but do not staple or attach, a check or money order with the payment voucher. Make the check or money order payable to "Internal Revenue Service." Write the estate's or trust's EIN and "1997 Form 1041-ES" on the check or money order. Do not include any balance due on the Form 1041 with the check for 1997 estimated tax. Fill in the **Record of Estimated Tax Payments** on page 4 for your files.

Financial institutions that maintain a Treasury Tax and Loan (TT&L) account, and administer at least 200 taxable trusts that are required to pay estimated tax, must submit the estimated tax payments on magnetic tape. See Rev. Proc. 89-49, 1989-2 C.B. 615.

Where To File

Mail the payment voucher to:

Internal Revenue Service
P.O. Box 970002
St. Louis, MO 63197-0002

DO NOT send the payment voucher to the Internal Revenue Service Center where you file Form 1041.

Note: *Only the U.S. Postal Service can deliver to the above address.*

Amending Estimated Tax Payments

To change or amend the estate's or trust's estimated payments, refigure the total estimated payments due (line 16 of the worksheet on page 3). Then use the worksheets under **Amended estimated tax** in Pub. 505 to figure the payment due for each remaining period. If an estimated tax payment for a previous period is less than one-fourth of the amended estimated tax, the estate or trust may owe a penalty when its return is filed.

When a Penalty Is Applied

In some cases, the estate or trust may owe a penalty when it files its return. The penalty is imposed on each underpayment for the number of days it remains unpaid. A penalty may be applied if the estate or trust did not pay enough estimated tax or it did not make the payments on time or in the required amount. A penalty may apply even if the estate or trust has an overpayment on its tax return.

The penalty may be waived under certain conditions. See Pub. 505 for details.

Certain Payments of Estimated Tax Treated as Paid by Beneficiary

The fiduciary (or executor, for the final year of the estate) may elect to have any portion of its estimated tax payments treated as made by a beneficiary (and **not** as payments made by the estate or trust).

Such an amount is treated as a payment of the estimated tax made by the beneficiary on the January 15 following the tax year.

Time for making election.—The fiduciary must make the election on the 1997 **Form 1041-T**, Allocation of Estimated Tax Payments to Beneficiaries. The election must be filed on or before the 65th day after the close of the estate's or trust's tax year. For details, see section 643(g).

1997 Estimated Tax Worksheet (Do Not File—Keep for Your Records)

1	Enter adjusted total income expected in 1997	1	
2	Enter any anticipated income distribution deduction	2	
3	Enter any estate tax deduction	3	
4	Enter exemption (see instructions)	4	
5	Add lines 2 through 4	5	
6	Taxable income of estate or trust. Subtract line 5 from line 1	6	
7	Tax. Figure your tax on line 6 by using the 1997 Tax Rate Schedule on page 4. (If the estate or trust expects a net capital gain and taxable income of more than \$3,900 for 1997, use the Tax Computation Using Maximum Capital Gains Rate , below, to figure the tax.)	7	
8	Additional taxes (see instructions)	8	
9	Add lines 7 and 8	9	
10	Credits (see instructions)	10	
11	Subtract line 10 from line 9. If zero or less, enter -0-	11	
12	Other taxes (see instructions)	12	
13	1997 Estimated Tax. Add lines 11 and 12. Reduce this total by any credit you expect to claim on Form 4136	13	
14a	Enter 90% of line 13 (66⅔% for farmers and fishermen)	14a	
b	Enter 100% of the tax shown on the 1996 Form 1041 (110% of that amount if the estate's or trust's AGI on that return is more than \$150,000, and less than ⅔ of gross income for 1996 or 1997 is from farming or fishing)	14b	
c	Required Annual Payment. Enter the smaller of line 14a or 14b	14c	
15	Income tax withheld and estimated to be withheld during 1997 and other credits	15	
16	Subtract line 15 from line 14c. (Note: If line 13 minus line 15 is less than \$500, the estate or trust is not required to make estimated tax payments.)	16	
17	Installment Amount. If the first required payment is due April 15, 1997, enter ¼ of line 16 (minus any 1996 overpayment that you are applying to this installment) here and on line 1 of the payment voucher(s). You may round off cents to the nearest whole dollar	17	

1997 Tax Computation Using Maximum Capital Gains Rate (Use this computation if the estate or trust expects a net capital gain and taxable income of more than \$3,900 for 1997.)

1	Taxable income (from line 6 of the Worksheet above)	1	
2	Net capital gain anticipated for 1997 (Reminder: Do not include any net capital gain from the disposition of property held for investment that you elect to include in investment income for investment interest expense purposes.)	2	
3	Subtract line 2 from line 1. If zero or less, enter -0-	3	
4	Enter the greater of line 3 or \$1,650	4	
5	Tax on amount on line 4 from the 1997 Tax Rate Schedule. If line 4 is \$1,650, enter \$247.50	5	
6	Subtract line 4 from line 1	6	
7	Multiply line 6 by 28% (.28)	7	
8	Maximum capital gains tax (add lines 5 and 7)	8	
9	Regular tax on amount on line 1 from the 1997 Tax Rate Schedule	9	
10	Tax. (Enter the smaller of line 8 or line 9.) Enter here and on line 7 of the Worksheet above	10	

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Page 3Form **1041-ES**
Department of the Treasury
Internal Revenue Service**1997 Payment Voucher 4**

OMB No. 1545-0971

File only if the estate or trust is making a payment of estimated tax. Return this voucher with check or money order payable to **"Internal Revenue Service."** Write the estate's or trust's EIN and "1997 Form 1041-ES" on the check or money order. Do not send cash. Enclose, but do not staple or attach, the payment with this voucher.

Calendar year—Due Jan. 15, 1998

1 Amount of payment \$	2 Fiscal year filers—enter year ending	Please type or print	Employer identification number
			Name of estate or trust
			Name and title of fiduciary
			Address of fiduciary (number, street, and room or suite no.)
			City, state, and ZIP code

1997 Tax Rate Schedule

Estates and trusts:

If line 6 of the Estimated Tax Worksheet on page 3 is:

The tax is:

Of the
amount
over—

Over—	But not over—		
\$0	\$1,650	15%	\$0
1,650	3,900	\$247.50 + 28%	1,650
3,900	5,950	877.50 + 31%	3,900
5,950	8,100	1,513.00 + 36%	5,950
8,100	-----	2,287.00 + 39.6%	8,100

Record of Estimated Tax Payments

Pay- ment no.	(a) Date	(b) Check or money order number	(c) Amount	(d) 1996 overpayment credit applied	(e) Total amount paid and credited (add (c) and (d))
1					
2					
3					
4					
Total.	▶				

1997 Payment Voucher 3

OMB No. 1545-0971

File only if the estate or trust is making a payment of estimated tax. Return this voucher with check or money order payable to **"Internal Revenue Service."** Write the estate's or trust's EIN and "1997 Form 1041-ES" on the check or money order. Do not send cash. Enclose, but do not staple or attach, the payment with this voucher.

Calendar year—Due Sept. 15, 1997

1 Amount of payment \$	Please type or print	Employer identification number
		Name of estate or trust
		Name and title of fiduciary
		Address of fiduciary (number, street, and room or suite no.)
		City, state, and ZIP code
2 Fiscal year filers—enter year ending		
(month and year)		

Tear off here**1997 Payment Voucher 2**

OMB No. 1545-0971

File only if the estate or trust is making a payment of estimated tax. Return this voucher with check or money order payable to **"Internal Revenue Service."** Write the estate's or trust's EIN and "1997 Form 1041-ES" on the check or money order. Do not send cash. Enclose, but do not staple or attach, the payment with this voucher.

Calendar year—Due June 16, 1997

1 Amount of payment \$	Please type or print	Employer identification number
		Name of estate or trust
		Name and title of fiduciary
		Address of fiduciary (number, street, and room or suite no.)
		City, state, and ZIP code
2 Fiscal year filers—enter year ending		
(month and year)		

Tear off here**1997 Payment Voucher 1**

OMB No. 1545-0971

File only if the estate or trust is making a payment of estimated tax. Return this voucher with check or money order payable to **"Internal Revenue Service."** Write the estate's or trust's EIN and "1997 Form 1041-ES" on the check or money order. Do not send cash. Enclose, but do not staple or attach, the payment with this voucher.

Calendar year—Due April 15, 1997

1 Amount of payment \$	Please type or print	Employer identification number
		Name of estate or trust
		Name and title of fiduciary
		Address of fiduciary (number, street, and room or suite no.)
		City, state, and ZIP code
2 Fiscal year filers—enter year ending		
(month and year)		