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LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC's 1041 Deskbook

Thirty-first Edition (October 2022)

Highlights of this Edition

The following are some of the important new features of the 2022 Edition of *PPC's 1041 Deskbook*:

- **Joint Fiduciary Statement.** When there is more than one fiduciary, a joint fiduciary statement should be attached to Form 1041. This update includes a discussion and a sample statement.
- **Proposed Actuarial Tables.** The IRS issued proposed regulations and actuarial tables based on the 2010 census. Taxpayers can use either table (current or proposed) until the final tables are released, as discussed in this edition.
- **Net Operating Losses.** There has been confusion about the NOL carryback and carryforward rules with various recent legislation. This edition clarifies when NOLs can be carried back and when they must be carried forward as well as the limits on the amounts that can be used to offset income.

In addition to these featured items, your *Deskbook* includes the following update items.

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 1 Filing Matters	<ol style="list-style-type: none"> 1. Expanded the discussion on Form 56-F that should be filed annually if a federal agency is acting as a fiduciary. 2. Included a preparation pointer on reporting partnership interests by attaching the Schedule K-1 to the return. 3. Clarified how a superseding return differs from an amended return. 	<p>Key Issue 1A</p> <p>Key Issue 1B</p> <p>Key Issue 1G</p>
CHAPTER 4 Business Income	<ol style="list-style-type: none"> 1. Highlighted that the excess business loss limitation has been extended through 2028. 	Key Issue 4B
CHAPTER 5 Capital Asset Transactions	<ol style="list-style-type: none"> 1. Included exceptions to the general rule disallowing the Section 121 exclusion to estates and irrevocable trusts. 	Key Issue 5K
CHAPTER 6 Rents, Royalties, and Pass-through Income	<ol style="list-style-type: none"> 1. Expanded the preparation pointer on adding a schedule to Form 1041 detailing the calculation of income and deductions resulting in the ESBT tax. 	Key Issue 6C

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 8 Depreciation and Depletion	1. Clarified and updated the discussion on bonus depreciation for the final regulations.	Key Issue 8G
	2. Noted the estate's requirement to file Form 8971 and provide it to the estate beneficiaries to use as basis for depreciable assets.	Key Issue 8I
CHAPTER 9 Income in Respect of a Decedent	1. Clarified the reporting of pay-on-death accounts.	Key Issue 9A
	2. Observed that IRD gain from the sale or exchange of a principal residence may qualify for Section 121 exclusion if the decedent met the requirements.	Key Issue 9F
CHAPTER 10 Interest and Taxes	1. Added a caution that, unless future legislation extends this deduction, qualified mortgage insurance premiums are not deductible after 2021.	Key Issue 10B
CHAPTER 13 Other Deductions	1. Clarified and expanded the discussion on deducting casualty and theft losses.	Key Issue 13E
CHAPTER 14 Net Operating Losses	1. Expanded the discussion on claiming a tax refund for an NOL carryback on Form 1045.	Key Issue 14C
	2. Noted the delays in the Form 1045 processing times and provided a URL for more information.	Key Issue 14C
CHAPTER 16 Fiduciary Accounting Income	1. Updated the list of states that have enacted (or introduced legislation to enact) the 2018 Uniform Fiduciary Income and Principal Act.	Key Issue 16A
	2. Cautioned about disclosing to the beneficiaries a proposed unitrust policy in advance.	Key Issue 16A
CHAPTER 17 Distributable Net Income and the Distribution Deduction	1. Clarified that the 65-day distribution election may be available to simple trusts, depending on the terms of the trust and local law.	Key Issue 17J
CHAPTER 19 Accumulation Distributions	1. Included an Observation about the income tax that is allocated to undistributed net income on Schedule J.	Key Issue 19C
CHAPTER 22 Alternative Minimum Tax	1. Clarified and revised the discussion on AMT NOLs.	Key Issue 22A
	2. Included a note about qualified research and experimental expenses incurred after 2021 and their effect on calculating the alternative minimum tax.	ILLUSTRATION 22-1

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 23 Tax Payments	<ol style="list-style-type: none"> 1. Mentioned that the customer service line at the IRS to enroll or receive information about the EFTPS, previously available 24/7, now has specific hours of operation. 2. Reinforced the need to have proof of timely payment to respond to potential IRS notices. 3. Cautioned that the IRS Direct Pay cannot be used to make payments for Form 1041. 4. Included an Observation about the country code that should be reflected on Form 1042-S. 	<p>Key Issue 23A</p> <p>Key Issue 23A</p> <p>Key issue 23A</p> <p>Key Issue 23K</p>
CHAPTER 24 Termination of Trusts and Estates	<ol style="list-style-type: none"> 1. Added an example about reporting distributions of appreciated property in a trust's final year. 2. Clarified the discussion of how the NOL carryback and carryforward rules apply in an estate or trust's final year. 3. Added a brief discussion about appreciated securities distributed to satisfy a pecuniary bequest. There are additional issues to consider related to the tax basis. 	<p>Key Issue 24B</p> <p>Key Issue 24C</p> <p>Key Issue 24J</p>
CHAPTER 25 Split-interest Charitable Trusts	<ol style="list-style-type: none"> 1. Clarified an example discussing the charitable income tax deduction available to the grantor of a charitable lead trust. 	<p>Key Issue 25C</p>
CHAPTER 27 Foreign Trusts	<ol style="list-style-type: none"> 1. Added a discussion of the Treasury Department's recent notification of its plan to terminate the tax treaty with Hungary. 2. Included a Caution for avoiding multiple penalties when a U.S. individual is both an owner and a beneficiary of a foreign trust. 3. Expanded the discussion of reporting requirements by U.S. grantors or owners who transfer property to a foreign trust. 	<p>Key Issue 27G</p> <p>Key Issue 27H</p> <p>Key Issue 27H</p>
CHAPTER 29 Complex Trust with Oil and Gas Royalty and Depletion Reserve	<ol style="list-style-type: none"> 1. Revised the distribution amount from a trust in an example to illustrate the interplay between alternative minimum tax calculation, long-term capital gain tax calculation, and regular tax calculation. 	<p>Key Issue 29C</p>
	QUICK REFERENCE BINDER	
QUICK REFERENCE TABLES	<ol style="list-style-type: none"> 1. Updated the list of states following one of the Uniform Principal and Income Acts or the 2018 Uniform Fiduciary Income and Principal Act. 	<p>T309</p>

