

**MINI-CHECKLIST**  
**ESTATE AND TRUST INCOME TAX RETURN**  
**2013 - FORM 1041**

Client Name and Number: \_\_\_\_\_

Prepared by: \_\_\_\_\_ Date: \_\_\_\_\_ Reviewed by: \_\_\_\_\_ Date: \_\_\_\_\_

	<u>Done</u>	<u>N/A</u>		<u>Done</u>	<u>N/A</u>
<b>GENERAL INFORMATION</b>					
1. Consider if any conflict of interest(s) exist(s) between the trust and the trustor, trustee, or beneficiary.	___	___	20. Review trust termination date.	___	___
2. Verify client's file contains signed engagement/separate privilege tax advice engagement letter.	___	___	21. Inquire about change in fiduciary during year.	___	___
3. Review and update taxpayer information including beneficiaries' names, addresses, tax identification numbers, and birth dates.	___	___	22. Note GST inclusion ratio and determine that adequate support is in the file to verify ratio.	___	___
4. Review prior year returns, workpapers, correspondence and audit results.	___	___	23. Consider filing power of attorney.	___	___
5. Obtain information concerning IRS and state tax audits, and/or correspondence.	___	___	24. Determine if a foreign trust.	___	___
6. Check for carryovers and update schedules including effect of all tax audits.	___	___	25. Confirm proof of U.S. citizenship for grantor and beneficiaries.	___	___
7. Verify that a copy of the will or trust agreement, Form 706, Form 709, or Form 8939 and date created (for GST purposes) are in file.	___	___	26. Complete Form 1040 Schedule H (if required).	___	___
8. Determine proper classification of trust (grantor, simple, complex, qualified disability trust, ESBT, pooled income fund, bankruptcy estate).	___	___	27. Consider if disaster relief provision applies.	___	___
9. Review court filings for accounting and tax information.	___	___	28. Determine if state e-filing is required (note mandatory federal e-filing).	___	___
10. Determine situs of estate or trust for state filing requirements.	___	___	<b>INCOME</b>		
11. Determine residencies of fiduciary and beneficiaries.	___	___	1. Compare sources and amounts of income with prior year.	___	___
12. Determine state filing requirements.	___	___	2. Properly report all adjustments from changes in accounting period or method.	___	___
13. Determine tax basis for all assets received.	___	___	3. Sale or dispositions of property:	___	___
14. Inquire if foreign financial accounts exist.	___	___	• Check for related party sales & consequences.	___	___
15. If first return of an estate, allocate income and deductions among trust, estate and/or final 1040.	___	___	• Like-kind exchanges. (T.D. 9413 [July 9, 2008]) and PLR 200912004 and CCA 200911006)	___	___
16. Determine changes in interests of beneficiaries during year.	___	___	• Utilize suspended losses.	___	___
17. Review proforma/organizer for accuracy.	___	___	• Installment sale. See Installment Sale Checklist.	___	___
18. Review accounting methods.	___	___	• Involuntary conversions.	___	___
19. Consider filing Form 56 even though not required for initial and final return (Recommended).	___	___	• Wash sales	___	___
			4. Determine holding period and basis of assets sold.	___	___
			5. Review passive loss limitations and carryovers. See related Checklist.	___	___
			6. Review K-1s for proper reporting of data.	___	___
			7. Consider election for gain/loss on distributed property (§ 643[e][3]).	___	___
			8. Compute accounting income.	___	___
			9. Determine if capital gains are allocated to DNI.	___	___
			10. Determine if there is discharge of indebtedness income (Note exclusion and elections under § 108 may be available, and Form 982).	___	___

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**DEDUCTIONS**

	<u>Done</u>	<u>N/A</u>
1. Determine proper allocations and limitations on interest expense relating to the following items: investments, trade/business, passive, tax-exempt income, etc.	___	___
2. If tax-exempt income, allocate deductions.	___	___
3. Determine that amortizable items are written off over the correct period.	___	___
4. Inquire about other allowable deductions (charitable, taxes, business, worthless securities, casualty losses, and attorney, accountant and fiduciary fees).	___	___
5. Consider limitations of § 465 at-risk, § 704(d), or § 1366(d) basis rules.	___	___
6. Limit deduction for meals and entertainment to allowable percentage.	___	___
7. Compute income distribution deduction.	___	___
8. Consider a 65-day distribution election for complex trust or estate.	___	___
9. Determine if a deduction for estate tax attributable to income in respect of a decedent is available.	___	___
10. Consider that accumulation distributions do not apply to most domestic trusts.	___	___
11. Attach proper election (waiver of expenses) for items deducted on Form 1041 that could have been claimed on Form 706.	___	___

**DEPRECIATION/AMORTIZATION**

1. Consider the following:		
• Methods and lives (SBJA 2010).	___	___
• Listed property (SBJA 2010)(Rev. Proc. 2011-21).	___	___
• Capitalization of leased property	___	___
• Additional first-year (bonus) (SBJA 2010 and Rev. Proc. 2011-26).	___	___
• Amortization of goodwill and other intangibles.	___	___
• § 179 deduction is not allowed for estates and trusts.	___	___
• Like-kind exchange and involuntary conversion rules.	___	___
• Allocate to beneficiary if required.	___	___
2. Compute AMT and ACE depreciation.	___	___
3. Compute state depreciation, if different.	___	___

**TAX COMPUTATION AND CREDITS**

1. Compute tax, including net investment income (Form 8960) and AMT.	___	___
2. Compute credit recapture.	___	___
3. Confirm prior year overpayments, withheld taxes, estimates and extension payments.	___	___
4. Compute underpayment penalties.	___	___
5. Consider tax credits, including carryovers.	___	___

**OTHER REQUIREMENTS**

	<u>Done</u>	<u>N/A</u>
1. Determine if requirements for avoiding penalties for improper disclosure or use of taxpayer information by tax return preparers imposed under §§ 6713 and 7216.	___	___
2. Compare taxable income and tax to prior year and projections.	___	___
3. Report tax shelters (Form 8886).	___	___
4. Evaluate estimated tax payments/withholding.	___	___
5. Determine if required estimated tax should be 100% or 110% of prior year. Not required for estate or trust with 645 election for first two years.	___	___
6. Prepare Schedule(s) K-1.	___	___
7. If estimated tax payments are allocated to beneficiaries, file Form 1041-T within 65 days after year-end.	___	___
8. Inquire if required information returns have been filed.	___	___
9. Consider election to forgo NOL carryback.	___	___
10. Consider state tax credits for multistate filing.	___	___
11. Determine excess deductions or losses available to beneficiaries in final year.	___	___
12. Determine if a generation-skipping distribution was made; if so prepare Form 706-GS(T) or GS(D) and GS(D-1).	___	___
13. Consider risk of accuracy-related penalty (§ 6662) (Note increased penalty HCA 2010, and Woodsum 136 T.C. No. 29).	___	___
14. Attach extension request(s), for extended returns.	___	___
15. Consider new preparer penalties (Notice 2008-13 supplemented by Notice 2008-46). See proposed regulations REG-129243-07, June 17, 2008, corrected July 14, 2008/14/08.	___	___
16. Note planning/additional service suggestions.	___	___
17. Consider third-party service provider notification.	___	___
18. Consider disclosure requirements for written tax advice (See Circular 230).	___	___