Instructions for Schedule Composite (Form IT-41)

Filing Requirements

Any trust or estate that has beneficiaries who are nonresidents of Indiana must file a composite return and include all its nonresident beneficiaries. The composite return must be filed with and have the same due date as the IT-41 Indiana Fiduciary Income Tax Return. If the IRS allows the trust or estate an extension to file its tax return, the due date for its Indiana return is automatically extended for the same period, plus 30 days.

Information Bulletin #72 contains additional information regarding composite filing and can be found on our web site at www.in.gov/dor/reference/files/ib72.pdf.

The following limitations and conditions apply to each beneficiary included as a member in the composite return:

- Any short-term capital gain (loss) plus any long-term capital gain (loss) specifically allocated for a beneficiary is allowed, subject to any "passive activity" loss limitations pursuant to IRC Section 469 and capital loss limitations imposed on noncorporate taxpayers by IRC Section 1211;
- No deduction is permitted for interest paid on investment indebtedness under IRC Section 163(d) (limitation on interest investment indebtedness);
- No deduction is permitted for carryover of net operating losses or capital losses;
- No personal exemption is permitted;
- No deduction is allowed for charitable contributions allowed or allowable pursuant to IRC Section 170;
- No credit is permitted for taxes paid to other states;
- No credit carryovers are permitted; (except for those on Schedule IN-OCC); and
- All other credits that flow through to beneficiaries on a pro rata basis are limited to the beneficiary's state income tax liability.

The trust or estate filing a composite return is liable for the tax shown on the return. It is also liable for any additional tax, interest, and penalty as a result of a subsequent audit or examination. Any refund of state or county tax as a result of filing a composite return will be remitted directly to the trust or estate.

Instructions for Completing Schedule Composite

Enter the entity name (of the trust or estate) and the federal identification number.

Enter the beginning and ending dates of the tax year.

Indicate the name of each nonresident beneficiary on lines 1 through 12. Subject to the limitations and conditions specified in the filing requirements, separately compute the state tax liabilities and credits on the composite return attributable to each nonresident beneficiary.

Column A. Enter the apportioned distributive income attributed to Indiana from the Form IT-41 IN K-1, line 18.

Column B. Enter the Indiana modifications from the Form IT-41 IN K-1, line 26.

Column C. The amount of adjusted gross income for each beneficiary is the apportioned distributive income plus the Indiana modifications (column A + column B).

Column D. Multiply the adjusted gross income by the current tax rate of 3.3% (.033).

Column E. If a nonresident individual is engaged in principal work activity in an adopting county on January 1, the county tax should be calculated. Multiply column C by the applicable nonresident county tax rate. Use the county income tax chart as directed on Form IT-40PNR to verify the county's tax rate. The Indiana individual forms are available on the department's website at www.in.gov/dor/5333.htm.

Column F. The amount of tax liability for each beneficiary is the state tax plus county tax (column D + column E).

Note: A federal Schedule K-1 for each beneficiary is not required to be enclosed but must be made available for inspection upon request by the department.