

Estimated Income Tax for Fiduciaries

Section references are to the Internal Revenue Code.

1994**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.

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 1 hr., 23 min.

Copying, assembling, and sending the form to the IRS. 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this package easier, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Attention: Reports Clearance Officer, PC:FP, Washington, DC 20224; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-0971), Washington, DC 20503. DO NOT send payment vouchers to either of these offices. Instead, see **Where To File** on page 2.

A Change To Note

The Revenue Reconciliation Act of 1993 changed the rule for figuring estimated tax based on the prior year's tax. See **Who Must Make Estimated Tax Payments** below for more details.

For details on other tax law changes, see **Pub. 553**, Highlights of 1993 Tax Changes.

Purpose of Form

Use this package to figure and pay estimated tax for an estate or trust. *Estimated tax* is the amount of tax the fiduciary of 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 1994 preprinted vouchers, use these vouchers. Do not use the vouchers in this package for notifying 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 1994 and can expect its withholding and credits to be less than the smaller of:

1. 90% of the tax shown on the 1994 tax return; or
2. 100% of the tax shown on the 1993 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 1993 or 1994 is from farming or fishing). To figure the estate's or trust's AGI, see the line 15b instructions for **Form 1041**, U.S. Fiduciary Income Tax Return.

However, if a return was not filed for 1993 or that return did not cover a full 12 months, item 2 does not apply.

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 1993 tax year; or
2. A decedent's estate or any 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, a trust primarily responsible for paying debts, taxes, and other 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 **1994 Estimated Tax Worksheet** on page 3; the **1994 Tax Rate Schedule** on page 4; and the estate's or trust's 1993 tax return as a guide for figuring the 1994 estimated tax.

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

Line 4—Exemption.—No exemption is allowed on the final return of an estate or trust.

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.

All other trusts (i.e., complex trusts) are allowed a \$100 exemption.

Line 8—Additional taxes.—Enter any additional taxes from:

- **Form 4970**, Tax on Accumulation Distribution of Trusts;
- **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 of Schedule G, Form 1041.

Line 12—Other taxes.—Enter any other taxes such as recapture of low-income housing credit and alternative minimum tax.

How To Use The Payment Vouchers

Each payment voucher has the date when the voucher is due for calendar year estates and trusts. Please use the correct voucher.

1. 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.

2. Enter the net amount of the payment on line 1 of the payment voucher. If you paid too much tax on the 1993 Form 1041, you may have chosen to apply the overpayment to your estimated tax for 1994. If so, the overpayment will be applied to the first installment, unless you notify the IRS that the overpayment should be applied against another installment. **Send the payment voucher to the IRS ONLY when you are making a payment.**

3. Enclose, but do not staple or attach, your 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 "1994 Form 1041-ES" on the check or money order. Do not include any balance due on the Form 1041 with your check for 1994 estimated tax. Fill in the **Record of Estimated Tax Payments** on page 4 so you will have a record of your payments.

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.

If the 1994 Form 1041 is filed by January 31, 1995, and the entire balance due is paid at that time, you do not need to make the payment that would otherwise be due on January 17, 1995.

Farmers and fishermen.—If at least two-thirds of gross income for 1993 or 1994 is from farming or fishing, do one of the following:

- Pay the total estimated tax by January 17, 1995; or
- File Form 1041 for 1994 by March 1, 1995, and pay the total tax due. In this case, do not make estimated tax payments for 1994.

Fiscal year.—If your return is on a fiscal year basis, your due dates are the 15th day of the 4th, 6th, and 9th months of your fiscal year and the 1st month of the following fiscal year. If any date falls on a Saturday, Sunday, or legal holiday, use the next regular workday.

Penalty for Not Paying Enough Estimated Tax

Generally, if at least: **(1)** 90% (66 $\frac{2}{3}$ % for farmers and fishermen) of the 1994 tax liability; **(2)** 100% of the tax shown on the 1993 return (110% of that amount if the estate's or trust's AGI on that return is more than \$150,000, and less than $\frac{2}{3}$ of gross income for 1993 or 1994 is from farming or fishing); or **(3)** 90% of the tax figured by annualizing the taxable income and alternative minimum taxable income, whichever is smallest, is not prepaid, a penalty for not paying enough estimated tax may be charged. To avoid the penalty, make sure your estimate is as accurate as possible. If you are unsure of the estimate, and line 14a is smaller than line 14b, you may want to pay up to the amount shown on line 14b.

If the annualized income installment method under section 6654(d)(2) is used, 1 less month's income is taken into consideration for computation of estimated taxes. For example, a calendar year trust would compute its first installment due April 15, 1994, based on the annualized income for January and February.

Note: The penalty may only be waived by the IRS under certain conditions, such as casualty, disaster, or other unusual circumstances.

Caution: You may be required to make payments of past due amounts to avoid further penalty. You may have to make these payments if you do not make your estimated tax payments on time, or if you did not pay the correct amount for a previous payment date.

Example. On June 1, 1994, you find out that you should have made an estimated tax payment on April 15. You should immediately fill out the payment voucher due April 15, 1994, and send in the required amount ($\frac{1}{4} \times$ 1994 estimated tax). This amount will be applied toward your estimated tax payment due April 15, 1994. You must still fill out the payment voucher due June 15, 1994, and send in the required amount for the second installment.

For more information, see **Pub. 505**, Tax Withholding and Estimated Tax.

Certain Payments of Estimated Tax Treated as Paid by Beneficiary

The fiduciary (or executor, under certain circumstances) may elect to treat any portion of estimated tax payments as payments made by a beneficiary (and not as payments made by the fiduciary).

Such an amount is treated as a payment of the estimated tax made by the beneficiary that would otherwise be due January 17, 1995.

Time for making election.—The fiduciary must make the election on the 1994 **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 trust's tax year. See section 643(g).

1994 Estimated Tax Worksheet (Do Not File—Keep for Your Records)

1 Enter adjusted total income expected in 1994		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 1994 Tax Rate Schedule in these instructions. (If the estate or trust expects a net capital gain and taxable income of \$3,600 or more for 1994, 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 1994 Estimated Tax. Add lines 11 and 12. Reduce this total by any credit you expect to claim on Form 4136		13	
14a Enter 90% (66 $\frac{2}{3}$ % for farmers and fishermen) of line 13	14a		
b Enter 100% of the tax shown on the 1993 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 $\frac{3}{4}$ of gross income for 1993 or 1994 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 1994 and other credits		15	
16 Subtract line 15 from line 14c.		16	
<i>(Note: If line 13 minus line 15 is less than \$500, the estate or trust is not required to make estimated tax payments.)</i>			
17 Installment Amount. —If the first required payment is due April 15, 1994, enter $\frac{1}{4}$ of line 16 (minus any 1993 overpayment that you are applying to this installment) here and on line 1 of the payment voucher(s). (see instructions) You may round off cents to the nearest whole dollar		17	

1994 Tax Computation Using Maximum Capital Gains Rate (Use this computation if the estate or trust expects a net capital gain and taxable income of \$3,600 or more for 1994.)

1 Taxable income (from line 6 of the Worksheet above)		1	
2 Net capital gain anticipated for 1994 (Reminder: Do not include any capital gains 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 \$1,500		4	
5 Tax on amount on line 4 from the 1994 Tax Rate Schedule. If \$1,500, enter \$225.00		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 1994 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	

Tear off here Page 3

Form **1041-ES** | **1994**
 Department of the Treasury | **Payment**
 Internal Revenue Service | **Voucher 4**

Return this voucher with check or money order payable to the Internal Revenue Service. Please do not send cash or staple your payment to this voucher. OMB No. 1545-0971

(Calendar year—Due Jan. 17, 1995)

Please write the estate's or trust's EIN and "1994 Form 1041-ES" on your check or money order.

1 Amount of payment \$	Please type or print	Employer identification number
2 Fiscal year filers—enter year ending		Name of estate or trust
..... (month and year)		Name and title of fiduciary
File only if you are making a payment of estimated tax.		Number, street, and room or suite no.
		City, state, and ZIP code

1994 Tax Rate Schedule

Estates and trusts:

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

The tax is:

Over—	But not over—		Of the amount over—
\$0	\$1,500	15%	\$0
1,500	3,600	\$225.00 + 28%	1,500
3,600	5,500	813.00 + 31%	3,600
5,500	7,500	1,402.00 + 36%	5,500
7,500	-----	2,122.00 + 39.6%	7,500

When To Make Estimated Tax Payments

Trusts.—Pay all of your estimated tax by April 15, 1994, or in 4 equal installments due by the following dates:

1st installment	April 15, 1994
2nd installment	June 15, 1994
3rd installment	Sept. 15, 1994
4th installment	Jan. 17, 1995

Note: You do not have to make the payment due on January 17, 1995, if you file the 1994 Form 1041 by January 31, 1995, AND pay the entire balance due with the return.

Estates.—Pay all of your estimated tax by the 15th day of the 4th month following the close of your fiscal year, or in 4 equal installments due on the following dates:

1st installment	15th day of the 4th month
2nd installment	15th day of the 6th month

3rd installment	15th day of the 9th month
4th installment	15th day of the 1st month of the next tax year

Note: You do not have to make the payment due on the 15th day of the 1st month of the next tax year if you file the 1994 Form 1041 by the last day of the 1st month following the close of the fiscal year, AND pay 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 regular business day.

If, after March 31, 1994, 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.

Record of Estimated Tax Payments

Payment number	(a) Date	(b) Amount	(c) 1993 overpayment credit applied	(d) Total amount paid and credited (add (b) and (c))
1				
2				
3				
4				
Total				

Amended Estimated Tax Schedule (Use if estimated tax changes during the year)

1	Amended estimated tax		1	
2a	Amount of 1993 overpayment chosen for credit to 1994 estimated tax and applied to date	2a		
b	Estimated tax payments to date	2b		
c	Add lines 2a and 2b		2c	
3	Unpaid balance. Subtract line 2c from line 1		3	

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Form **1041-ES**

1994
Payment
Voucher **3**

Department of the Treasury
Internal Revenue Service

Return this voucher with check or money order payable to the Internal Revenue Service.
Please do not send cash or staple your payment to this voucher.

OMB No. 1545-0971

(Calendar year—Due Sept. 15, 1994)

Please write the estate's or trust's EIN and "1994 Form 1041-ES" on your check or money order.

1 Amount of payment \$	Please type or print	Employer identification number
		Name of estate or trust
		Name and title of fiduciary
		Number, street, and room or suite no.
2 Fiscal year filers—enter year ending (month and year)		City, state, and ZIP code
File only if you are making a payment of estimated tax.		

Tear off here

Form **1041-ES**

1994
Payment
Voucher **2**

Department of the Treasury
Internal Revenue Service

Return this voucher with check or money order payable to the Internal Revenue Service.
Please do not send cash or staple your payment to this voucher.

OMB No. 1545-0971

(Calendar year—Due June 15, 1994)

Please write the estate's or trust's EIN and "1994 Form 1041-ES" on your check or money order.

1 Amount of payment \$	Please type or print	Employer identification number
		Name of estate or trust
		Name and title of fiduciary
		Number, street, and room or suite no.
2 Fiscal year filers—enter year ending (month and year)		City, state, and ZIP code
File only if you are making a payment of estimated tax.		

Tear off here

Form **1041-ES**

1994
Payment
Voucher **1**

Department of the Treasury
Internal Revenue Service

Return this voucher with check or money order payable to the Internal Revenue Service.
Please do not send cash or staple your payment to this voucher.

OMB No. 1545-0971

(Calendar year—Due April 15, 1994)

Please write the estate's or trust's EIN and "1994 Form 1041-ES" on your check or money order.

1 Amount of payment \$	Please type or print	Employer identification number
		Name of estate or trust
		Name and title of fiduciary
		Number, street, and room or suite no.
2 Fiscal year filers—enter year ending (month and year)		City, state, and ZIP code
File only if you are making a payment of estimated tax.		