

# 1041 ALLEN TRUST CASE STUDY FACTS (CASALM)

The Allen Trust has a situs in the state of Texas, where Jennifer Allen, the sole life income beneficiary, resides. The Allen Trust is an irrevocable trust. Investments generate the trust income, which is fully distributed. Capital gains and losses are retained in the trust.

## TARGETED AREAS

- Preparing a 1041 Return
- Distributions

## RETURN INFORMATION

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## DATA ENTRY

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# RETURN INFORMATION

Some data is already entered for you. Use the [Data Entry \(page 6\)](#) section for instructions and hints on entering any data you are unsure how to enter. You should verify all the information when it has changed or is missing based on the information in these facts.

## DIVIDEND INCOME

ATLANTIS CORPORATION (ALL QUALIFIED DIVIDENDS)	\$ 1,100
BELL/SOUTH CORPORATION (ALL QUALIFIED DIVIDENDS)	\$ 4,657
CONNECTICUT WIDGETS (NONE QUALIFIED)	\$11,356

## US GOVERNMENT INTEREST

US TREASURY NOTE 2023	\$ 3,750
US TREASURY NOTE 2024	\$ 6,475

## OTHER INTEREST INCOME

DALY BANK	\$14,375
ELEGAN BANK	\$ 9,463

## TAX-EXEMPT INTEREST INCOME

ILLINOIS HOUSING AUTHORITY	<b>\$11,467</b>
WYOMING LAND DEVELOPMENT BOND	<b>\$ 2,150</b>

## TRUST EXPENSES

FIDUCIARY FEES (ALLOCABLE)	<b>\$ 5,100</b>
TAX RETURN PREPARATION FEES (NONALLOCABLE)	<b>\$ 250</b>

## CAPITAL LOSS CARRYOVERS

LONG-TERM	<b>\$ 6,900</b>
SHORT-TERM	<b>None</b>

## COMMON TRUST FUND GAIN AND LOSS

LONG-TERM GAIN	<b>\$12,358</b>
SHORT-TERM LOSS	<b>\$ 4,120</b>

## CAPITAL GAINS AND LOSSES

DESCRIPTION	<i>150 Shares Work Depot</i>
DATE PURCHASED	<i>August 12, 2014</i>
DATE SOLD	<i>September 15, 2024</i>
COST	<i>\$ 1,500</i>
SALES PRICE	<i>\$23,400</i>

## DISBURSEMENT TO BENEFICIARIES

BENEFICIARY	<i>Jennifer Allen</i>
ADDRESS	<i>8901 Main Street Farmington, TX 34567</i>
SSN	<i>211-81-6522</i>
DATE OF BIRTH	<i>04/22/1983</i>
INCOME DISTRIBUTION	<i>100% required</i>
CAPITAL GAIN DISTRIBUTION	<i>No entry required</i>

## TRANSMITTAL LETTER AND FILING INSTRUCTIONS

The Allen Trust requires separate federal filing instructions, estimate filing instructions, and a transmittal letter to the fiduciary. The return will be filed at the *Ogden, UT* center.

# DATA ENTRY

This page is used to provide help when you are not sure where to enter data. You do not need this page if you know where all the information belongs.

Forms are accessed from the **Forms List** window at the left of the screen. Make sure **Organizer** is selected.

## REVIEWING TAX DEFAULTS AND OPTIONS

1. Select **General Information > Return and Print Options**.
2. Click each tab and view the various options.



These options reflect the default values set up for your account and they may be modified here.

3. Scroll down each screen to become familiar with the location of each option.

## BASIC RETURN INFORMATION

1. Select **General Information > Basic Return Information > Entity Information**.
2. Review the data that has been entered for you.
3. Click the **Paid Preparer/ERO Information** selection in the left pane and view the options.

## INCOME AND DEDUCTIONS

Income and deductions may be entered in the **Overrides** fields as total amounts for some of the various categories of income and expenses and no detail schedules will be printed. Alternatively, you may enter the detail for each category.

1. To enter income totals only, select **Income > Income** and make your total entries in the **Automatic** column.
2. Click the **Income** tab.



There are also tabs for **Tax-exempt Income**, **Nondistributive Income**, and **Trust**

3. To enter detail information, select the appropriate field in the **Detail** column.



If conflicting entries are made for the same item, the total entry will override and be used in the return, but a detail statement will be generated based on detailed entries.

4. Some categories of income can be entered only in the **Source Documents (1099s)** Organizer screens. Go to **Source Documents (1099s)** and click the applicable type of source document.

For the Allen Trust return, some items require detail; for others, the total amount is sufficient.

## ALLOCABLE AND NONALLOCABLE EXPENSES

1. To enter deduction totals only, select **Deductions > Deductions > Deduction** tab.



Allocable and nonallocable expenses may also be entered in total or detailed out. Enter the trust expenses in total.

2. Enter the allocable fiduciary fees.
3. Enter the nonallocable tax return preparer fees.

## OTHER INCOME AND DEDUCTIONS

Enter the capital loss carryovers and Common Trust Fund Gains and Losses in the Forms List window.

1. Select **Gains and Losses > Capital Gains and Losses > Other Information**.
2. Enter common trust fund gains and losses.



Both short and long-term columns are available for each item.

## CAPITAL GAINS AND LOSSES

1. To verify that the sale of the Work Depot stock is entered correctly, select **Capital Gains and Losses > Stocks, Bonds, etc. > 150 Shares Work Depot**.
2. Verify the sale information.

## BENEFICIARY INFORMATION

Distribution information for the trust and beneficiaries is entered by going through the Forms List Window:

1. Select **Beneficiary Info (1041) > Beneficiary Data > Distribution Input - Totals**.



Either required or discretionary distributions (or both) must be entered in the **Total Distributions of Income**. Without these entries, Schedules K-1 will not be generated. Since the Allen Trust is a simple trust, **100%** is the correct entry. As indicated above the **Percentage** input field, the percentage should be entered in decimal format. In this case, enter **1.00000000**.

2. To enter individual beneficiary information, select **Beneficiary Information > Add New Beneficiary**.
3. Enter **Jennifer Allen** and click **OK**.
4. Enter the beneficiary information for Jennifer Allen.
5. To enter the date of birth, select the **Bene-Info-Miscellaneous** tab and scroll down.



Distributions can be entered as percentages or dollar amounts. In this case you should use percentages, so the system can compute the dollar amounts for you.

6. The total percentages (or dollars) on the individual beneficiary screens must total the percentages (or dollars) on the total distributions screen. In the Allen return, the 100% for Jennifer, the only beneficiary, equals the 100% entered as the total distribution. Note that **100%** should be entered as **1.00000000**.



If the trust has both required and discretionary distributions, you can enter both. You cannot enter both percentages and dollar allocations for the same distribution.

## TRANSMITTAL LETTER/FILING INSTRUCTIONS

Transmittal Letter/Filing Instruction information is accessed by going to the Forms List window.



## Turning an Existing Simple 1041 Return to a 5227 Split Interest Return

1. Select **Letters and Filing Instructions > General Options**.
2. Verify that the service center is **Ogden, Utah**.



The Allen Trust requires separate federal filing instructions, estimate filing instructions, and a transmittal letter to the fiduciary. Note that the system default for Transmittal and Filing Instructions Preparation is **Suppress All Letters**. Since this will generate what is required, make no entry.

3. Verify that the **Transmittal Letter and Filing Instructions** option is selected.

## TURNING AN EXISTING SIMPLE 1041 RETURN TO A 5227 SPLIT INTEREST RETURN

1. Select **Quick Track > Basic Return Data > Entity Information**.

OR

Select **General Information > Basic Return Information > Entity Information**.

2. Click the drop-down arrow for **Entity type** and scroll down to select **Form 5227**.
3. Select **Compute > Full Recompute**. This changes the Organizer Forms shown in the Forms List window.
4. Select **Form 5227 > Split Interest Trust > Entity Information**.
5. Select **Type of Entity** as **Charitable Remainder Unitrust** in the drop-down list.
6. In the section labeled **Charitable Remainder Unitrust Information**, enter the fixed percentage to be paid to recipients.
7. Select **Balance Sheet form** under **Split Interest Trust**.
8. Enter Balance Sheet beginning and ending balances for assets and liabilities. For certain types of Form 5227 entities, FMV should also be entered. Please see the IRS Form 5227 instructions for further details.

# REVIEWING THE RETURN

## Compute Before Review

1. Before reviewing the return, make sure your return is completely computed.
2. Select **Compute > Full Recompute** from the menu bar.

## Review

The complete return can be viewed on screen and any changes made before printing. Use Tax Forms to review the return. During your review, access supporting workpapers by selecting any field with blue arrows to the right of the field, and then check for diagnostics and overrides.

The review process consists of:

- Reviewing diagnostics and overrides
- Reviewing through Tax Forms
- Reviewing work papers
- Entering corrections and changes
- Reviewing through Print Preview.

## Print Preview

1. Access Print Preview to see the return as it will print.
2. View all statements by selecting **Print** on the menu bar.

## Diagnostics and Overrides

### DIAGNOSTICS

1. To review the diagnostics, select **View > Diagnostics**.
2. A screen displays a list of the diagnostics by type: *Severe*, *Informational*, or *E-file*.
3. To go to the screen where the diagnostic originates, select a diagnostic from the list.

### OVERRIDES

1. Viewing and accessing overrides works like the review of diagnostics explained above. Select the override to go to the screen where you entered the override.
2. Verify your overrides and clear any unnecessary overrides by clicking the overridden amount and selecting **Clear Override** from the right-click menu.



If you have entered data only through the Organizer screens, no overrides should exist.

## Comparison Screens

Once you have completed this case study, you can compare your entries with the master return completed using the same data. To compare the return you prepared to the master, select **Help > Case Study Comparisons** inside the return.

Differences between the amount in your return and the amount in the master return are noted in the **Difference** column. If you entered the data correctly, there should be no amounts in the **Difference** column.

If you have differences, begin by selecting **Compute > Full Recompute**.

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