

1041 WALTON TRUST CASE STUDY FACTS (CASWTM)

ABC Trust Company is the fiduciary for the Walton Trust. The Walton Trust is a complex trust (\$100.00 exemption) with \$1,200 required to be paid yearly to Marcy Wainwright. In 2024, Marcy, David, and Charlotte Wainwright each received one-third of the total discretionary distribution.

TARGETED AREAS

- Preparing a 1041 Return
- Distributions
- Income and Deductions
- Allocable and Non-allocable Expenses
- Tax Exempt Income
- Rent and Royalty Property
- Foreign Tax Credit
- Payments and Estimates
- Estimated Tax and Underpayments
- Transmittal Letter Options
- Filing Instruction Options

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RETURN INFORMATION

Some data is already entered for you. Use the [Data Entry \(page 11\)](#) 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.

FIDUCIARY BASIC RETURN INFORMATION

1. Select **General Information > Basic Return Information > Entity Information**.
2. Enter the following information:

NAME	<i>ABC Trust Company</i>
ADDRESS	<i>Trust Tax Division 401 Channelside Drive Tampa, FL 33602</i>
TYPE OF TRUST	<i>Complex Trust (\$100)</i>
TRUST EIN	<i>12-3456789</i>
DATE TRUST CREATED	<i>12/16/2014</i>
FIDUCIARY EMPLOYER ID	<i># 98-7654321</i>

3. Go to **General Information > Paid Preparer/ERO Information**, and check the box to suppress the **Paid Preparer Information**.

RETURN AND PRINT OPTIONS

1. Under **Return and Print Options**, select the **General Options** tab.
2. Select the options to:
 - Suppress page numbers
 - Print the date/time on each page.
3. Select the **Print Options** tab.

4. Select the options to:

- Print Schedule K-1 instructions to the Beneficiary (under **K-1 Options** at the top of the screen).
- Print a separate statement reflecting the Capital Loss Carryovers (Option 111).

5. Select the **Compute Options** tab.

6. Select the following options:

- Foreign Taxes Paid should be totally retained by the trust (Option 208).
- Depreciation should be distributed to the beneficiaries (Option 206).
- Net tax exempt income should be entirely distributed (Option 214).

INCOME - DIVIDEND INCOME

ESSILOR OPTIC (ALL QUALIFIED DIVIDENDS)	\$25,250
SHELL OIL (NONE QUALIFIED)	\$22,600
EXXON (ALL QUALIFIED DIVIDENDS)	\$ 5,759
PILLSBURY (ALL QUALIFIED DIVIDENDS)	\$ 3,258

INTEREST

US GOVERNMENT INTEREST	<i>US Treasury Note</i>	\$ 2,500
COMMON TRUST FUND US GOVERNMENT	<i>Interest</i>	\$ 1,242

OTHER INTEREST INCOME	<i>Third National Bank-CD #27429</i>	\$ 2,500
	<i>Third National Bank Savings #12-87930</i>	\$ 495
	<i>Common Trust Fund Other Interest</i>	\$ 2,198
FEDERALLY TAXABLE RESIDENT MUNICIPAL INTEREST	<i>Taxable Municipal Bond</i>	\$ 5,550
RESIDENT TAX-EXEMPT INTEREST	<i>Florida Tax-Exempt Bond Interest</i>	\$ 1,500
NONRESIDENT TAX EXEMPT INTEREST	<i>Texas Educational Development Bond (Municipal bond interest)</i>	\$ 1,342
	<i>Illinois Municipal Interest</i>	\$ 571

RENTAL PROPERTY

The trust invested in a rental property (apartment building) and has a passive interest in it. The state of residence is Florida.

ACTIVITY #		10
ACTIVITY NAME		<i>Palace Property</i>
FAIR VALUE RENTAL DAYS		365
PERSONAL USE DAYS		0
ADDRESS		<i>54321 Key West Boulevard Miami, FL 43210</i>
TRADE OR BUSINESS TO WHICH NET INVESTMENT INCOME TAX APPLIES		Yes

INCOME AND EXPENSES	Rental Income	\$17,500
	Advertising	\$ 2,250
	Insurance	\$ 3,500
	Taxes	\$ 500
	Utilities	\$ 6,000
DEPRECIATION (APARTMENT BUILDING)	Date of Purchase	03/10/2024
	Purchase Price	\$175,000
	Method	MACRS 27.5 year

GAINS AND LOSSES

CARRYOVERS	<i>Long-term Capital Loss</i>	\$ 2,437
	<i>Short-term Common Trust Fund Gain Loss</i>	(\$ 972)
OTHER INFORMATION	<i>Short-term Capital Gain Dividends</i>	\$ 3,200
	<i>Long-term Capital Gain Dividends</i>	\$ 7,500
COMMON TRUST FUND GAIN AND LOSSES	<i>Long-term Gain</i>	\$ 4,936

CAPITAL GAINS/LOSSES

	KOHO CORPORATION	100 SHARES OF IBM STOCK
SALES PRICE	\$16,500	\$ 4,128
COST	\$20,000	\$ 2,947
DATE PURCHASED	01/01/2015	08/12/2019
DATE SOLD	07/01/2024	01/17/2024

Override the holding period to Long-term Investment Property for Koho Corporation.

DEDUCTIONS

ALLOCABLE DEDUCTIONS	<i>Fiduciary Fees</i>	\$ 2,000
	<i>Attorney, Accountant, and Preparer Fees</i>	\$ 450
NONALLOCABLE DEDUCTIONS	<i>Attorney, Accountant, and Preparer Fees</i>	\$ 350
	<i>Other Deductions</i>	\$ 279
2024 CHARITABLE DEDUCTION PAID	<i>Leukemia Society of America</i>	\$ 5,000
	<i>Tax Exempt Interest Override</i>	<i>NONE</i>

DISBURSEMENT TO BENEFICIARIES

There were **\$1,200** of required distributions and **\$50,000** of discretionary distributions in 2024.

The override trust accounting income was **\$60,700**.

	MARCY WAINWRIGHT	DAVID WAINWRIGHT	CHARLOTTE WAINWRIGHT
ADDRESS	<i>457 Newks Street Tampa, FL 33602</i>	<i>123 Outpost Way Tampa, FL 33602</i>	<i>789 Jet City Drive Tampa, FL 33602</i>
SSN	<i>111-11-1111</i>	<i>222-22-2222</i>	<i>333-33-3333</i>
RESIDENCY	<i>Florida</i>	<i>Florida</i>	<i>Florida</i>
DATE OF BIRTH	<i>06/04/1976</i>	<i>11/16/1977</i>	<i>03/26/1979</i>
REQUIRED DISBURSEMENT	<i>\$1,200</i>		
DISCRETIONARY DISBURSEMENT	<i>33.333334%</i>	<i>33.333333%</i>	<i>33.333333%</i>

CREDITS

Foreign Tax Credit

Select the print option to **force print Form 1116**.

Income is **passive**.

TAXES PAID FOR CANADA	<i>12/31/2024</i>
NET TAXABLE INCOME OUTSIDE USA	<i>\$25,250</i>
TAXES PAID	<i>\$ 500</i>

Minimum Tax Credit

Computation of net minimum tax on exclusion items:

- Regular tax from **Form 8801, Page 4, line 53 of prior year**
- Schedule I amount is **\$27,572**

PAYMENTS AND EXTENSIONS

Estimated tax payments of **\$6,900** were made for **each of the first four quarters**.

ESTIMATES AND PENALTIES

2024 ESTIMATES

- Estimated Taxes should be based on 2024 tax liability.
- Override the first three quarters of the estimated tax vouchers with **NONE**.
- Refund the entire amount of overpayment, if any.

UNDERPAYMENT PENALTY

- Suppress penalty calculation and do not print form.

TRANSMITTAL LETTER AND FILING INSTRUCTIONS

Generate the transmittal letter and filing instructions only. The IRS filing center should be **Ogden, Utah**.

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.

FIDUCIARY INFORMATION

1. Select **Quick Track > Basic Return Data**.
2. Verify all the return information.

*ABC Trust Company
Trust Tax Division
401 Channelside Drive
Tampa, FL 33602*

3. Select the **Entity Type**: *Complex Trust (\$100 exemption)*. The system default is simple trust.
4. Scroll down and enter the **Date Trust Created**: *12/16/2014*.
5. Verify the **Trust EIN**: *12-3456789*.
6. Enter the **Fiduciary's Employer ID #**: *98-7654321*.
7. In the left pane, select **Organizer > General Information > Paid Preparer/ERO Information > Preparer Information** tab. Then select the option to *Suppress the paid preparer information*.

RETURN OPTIONS

1. Select **General Information > Return and Print Options > General Options** tab.
2. Verify that the option to print the date/time on each page has been selected.
3. Select the option to suppress page numbers.
4. Select **General Information > Return and Print Options > Print Options** tab.
5. Select *Option [101] Print Schedule K-1 instructions to the Beneficiary*.

6. Select **Option [111] Print a separate statement reflecting the capital loss carryover information.**
7. Select the **Compute Options** tab.
8. Select **Option [206] Totally distribute Depreciation to beneficiaries.**
9. Select **Option [208] Foreign taxes should be totally retained by the trust.**
10. Verify that this option has been selected: **Option [214] Net tax exempt income should be entirely distributed.**

INCOME

Income and deductions may be entered as total amounts for some of the various categories of income and expenses; no detail schedules will be printed. Alternatively, you must enter the detail for each category for detail schedules to print.



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 the detail entries.

Enter both a description and the amount on the detail screen as necessary. You must enter a description, if an amount is entered on the detail screen.

1. Select **Organizer > Source Documents (1099s) > 1099-DIV.**
2. Dividend amounts can either be entered as individual 1099-DIV source documents, or they can all be entered in the columnar 1099-DIV input screen. Enter the following dividends using either method described above:
 - **Essilor Optic (all qualified dividends): \$25,250**
 - **Shell Oil (none are qualified dividends): \$22,600**
 - **Exxon (all qualified dividends): \$ 5,759**
 - **Pillsbury (all qualified dividends): \$ 3,258**

INTEREST

US Government Interest

1. Select **Organizer > Source Documents (1099s) > 1099-INT**.
2. Similar to the dividend income above, interest income can either be entered as individual 1099-INT source documents or in the **Columnar 1099-INT** input screen. The **Columnar 1099-INT** input screen has separate sections for US government interest, tax-exempt interest, and foreign interest.
3. Add each of the following in the **United States Government Interest Detail** section:
 - US Treasury Note: **\$ 2,500**
 - Common Trust Fund US Government Interest: **\$ 1,242**

Other Interest

1. In the **Columnar 1099-INT** input screen, in the **Interest Income Detail** section, make the following entries in the **Box 1 Total Interest** column.
2. Enter an amount next to the description:
 - Third National Bank - CD #27429: **\$ 2,500**
3. Add new entries below this line:
 - **Third National Bank Savings #12-87930: \$495**
 - **Common Trust Fund Other Interest: \$ 2,198**

Tax-Exempt Interest

1. Enter each of the following items in the **Columnar 1099-INT** input screen in the **Tax-Exempt Interest** section.
2. Drill down on the **Description** .
3. Select the link **State Allocation of Tax Exempt Interest**.

4. Select the **State** from the dropdown and enter the amounts.
5. Enter an amount next to the description:
 - Florida Tax-Exempt Bond: **\$ 1,500**
 - Texas Educational Development Bond: **\$1,342**
 - Illinois Municipal Interest: **\$571**
6. Under the **Non-Resident Tax Exempt Income** section, select the **Tax Exempt Interest** field.

Federally Taxable Resident Municipal Interest

1. Go to **Income > Income**.
2. Click the blue drill-down arrow next to **Fed. taxable resident muni. interest**. Enter the following detail information and amount:
 - **Taxable Municipal Bond: \$ 5,550**
3. Click **Previous**.



Be sure to understand the distinction between resident and nonresident federally nontaxable municipal interest. The terms resident and nonresident refer to where the trust is located.

RENTAL PROPERTY

1. Select **Quick Track > Rent/Royalty**.
2. Enter **Palace Property** and click **OK**.
3. **Set Number 10** is automatically generated by the program.
4. Enter **Fair market rental days: 365**.
5. Verify that the **Type of Activity** is **passive**.
6. Select **Florida** in the **State Residency** list.
7. Select the **Income and Deductions** tab.

8. Enter the income:
 - ***Rental Income: \$17,500***
9. Scroll down and enter the expenses:
 - ***Advertising: \$ 2,250***
 - ***Insurance: \$ 3,500***
 - ***Taxes: \$ 500***
 - ***Utilities: \$ 6,000***
10. Under **Rent and Royalty Information**, select **Depreciation and Amortization > Asset Detail > Add new asset**.
11. Enter ***Apartment Building***.
12. Select **Depreciation Detail** under the new asset.
13. Enter the following information for the apartment building:
 - ***Date Placed in Service: 03/10/2024***
 - ***Regular Cost: \$175,000***
 - ***Method: MACRS 27.5 years***

GAINS AND LOSSES

1. Select **Gains and Losses > Capital Gain (Loss) > Stocks, Bonds, etc. > Add new Capital Gain (Loss)**.
2. Enter ***Koho Corporation*** and click **OK**.

3. Enter the sale information:

- **Sales Price:** **\$16,500**
- **Cost:** **\$20,000**
- **Date Purchased:** **01/01/2015**
- **Date Sold:** **07/01/2024**

4. Override the Holding Period - Long Term Investment property.

5. Select **Add new Capital Gain (Loss)**.

6. Enter **100 Shares IBM** and click **OK**.

7. Enter the sale information:

- **Sales Price:** **\$ 4,128**
- **Cost:** **\$ 2,947**
- **Date Purchased:** **08/12/2019**
- **Date Sold:** **11/17/2024**

CAPITAL LOSS CARRYOVER INFORMATION

The trust has carryovers that you need to verify.

1. Select **Gains and Losses > Capital Gains and Losses > Other Information**.
2. Verify that the **LT Capital Loss carryover** is **\$ 2,437**.

 On fields where only losses are entered, such as capital loss carryovers or suspended passive loss carryovers, enter the loss amount as a positive number.

COMMON TRUST FUND GAINS AND LOSSES

1. Select **Gains and Losses > Other Information**.
2. Verify that the **LT Common Trust Fund gain/loss** is **\$4,936**.

3. Verify that the **ST Common Trust Fund gain/loss** is **\$ - 972**.
4. Select **Gains and Losses > Capital Gain (Loss) > Stocks, Bonds, etc. > Add new Capital Gain (Loss)**.
5. Enter **Common Trust Fund S/T Capital Gain Dividends**, and click **OK**.
6. Leave the date fields blank.
7. In the **Holding Period** drop-down list, select **Short-term investment property**.
8. Enter the amount of the short-term capital gain dividends, **3200**, in the **Gross sales price** field.
9. Leave the **Cost or other basis** field blank.
10. Select **Add new Capital Gain (Loss)**.
11. Enter **Common Trust Fund L/T Capital Gain Dividends**, and click **OK**.
12. Leave the date fields blank.
13. In the **Holding Period** drop-down list, select **Long-term investment property**.
14. Enter the amount of the long-term capital gains dividends, **7500**, in the **Gross sales price** field.
15. Leave the **Cost or other basis** field blank.

DEDUCTIONS

1. Select **Quick Track > Deductions**.
2. For **Allocable Deductions**, enter an amount in the **Automatic** column:
 - Fiduciary Fees: **\$ 2,000**
 - Attorney, Accountant, and Preparer Fees: **\$450**
3. No detail schedules are required for the Walton Trust expenses, so enter the expenses in the **Automatic** column.
4. Scroll down to **Non-Allocable Deductions**, and enter an amount in the **Automatic** column:
 - Attorney, Accountant and Preparer Fees: **\$ 350**
 - Other Deductions: **\$ 279**

Charitable Deductions

1. Under **Deductions**, select the **Charitable Deductions** tab.
2. Under the **Contributions from Income** section, drill-down on the **PAID** field under the **Dollar** column.
3. In the **Total Entry** dollar field, enter **\$5,000**.
4. Enter **\$5,000** for Leukemia Society of America.
5. Click **Previous**.
6. In the **Tax Exempt Override** dollar column, enter **NONE**.

BENEFICIARY INFORMATION

1. Select **Beneficiary Information > Beneficiary Data > Distribution Input, Totals**.
2. Enter the following
 - **Required distributions: \$ 1,200**
 - **Discretionary distributions: \$50,000**
3. Scroll down and enter:
 - **Trust Accounting Income: \$60,700**
4. 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.
5. Select **Quick Track > Beneficiary Information**.
6. Verify all beneficiary information, and enter the **required distributions** of **\$1,200** on Marcy.

Marcy Wainwright
457 Newks Street
Tampa, FL 33602

SSN: 111-11-1111
Discretionary: 33.333334%
Required: \$1,200

7. Verify that the state of residency is **Florida**.

8. Select the **Bene Info - Miscellaneous** tab.
9. Verify that Marcy's date of birth is **06/04/1976**.
10. Verify all beneficiary information on David:

*David Wainwright
123 Outpost Way
Tampa, FL 33602*

SSN: **222-22-2222**
Discretionary: **33.333333%**

11. Verify that the state of residency is **Florida**.
12. Select the **Bene Info - Miscellaneous** tab.
13. Verify that David's date of birth is **11/16/1977**.
14. Verify all beneficiary information on Charlotte:

*Charlotte Wainwright
789 Jet City Drive
Tampa, FL 33602*

SSN: **333-33-3333**
Discretionary: **33.333333%**

15. Verify that the state of residency is **Florida**.
16. Select the **Bene Info - Miscellaneous** tab.
17. Verify that Charlotte's date of birth is **03/26/1979**.

CREDITS

FOREIGN TAX CREDIT

1. Select **Credits > Foreign Tax Credit > Add new Foreign Country**.
2. Enter **Canada**, and select **Foreign Tax Credit Information**.

3. On the field **Mandatory Country name for calculations and e-file**, select **Canada** from the drop-down list.
4. Verify that the **Foreign Income Type** is **Passive**.
5. Enter the date that the taxes were paid: **12/31/2024**.
6. Scroll down to **Foreign Source Income and Deductions > Foreign Compensation - Foreign Source**, and enter the net taxable income outside USA: **\$25,250**.
7. Click the **Taxes Paid/Accrued** tab at the top of the screen.
8. In the **Foreign Taxes Paid or Accrued on Dividends** column, enter the taxes paid in US dollars: **\$500**.

MINIMUM TAX CREDIT

1. Select **Credits > Minimum Tax Credit > Computation of Net Minimum Tax on Exclusion Items**.
2. Verify the Credit from line 55 of prior year Schedule I: **\$27,572**.

ESTIMATES AND PENALTIES

PAYMENTS AND EXTENSIONS

1. Select **Payments and Extensions > Estimated Tax Paid**.
2. Enter estimated tax payments of **\$6,900** in Payment 1, 2, 3, and 4.

ESTIMATED TAX PAYMENTS

1. Select **Estimates and Penalties > Estimated Tax/Overpayment**.
2. Verify the 2024 tax liability (safe harbor estimate).
3. Scroll down to **Application of Overpayment > Overpayment Option**.
4. Select the option to **Refund the entire amount of overpayment (Default)**.

5. Select the **Overrides** tab.
6. Enter **NONE** in the first three quarters of estimated tax vouchers.

UNDERPAYMENT PENALTY

1. Select **Estimates and Penalties > Underpayment Penalty**.
2. Select options from the first two list boxes:
3. Select the option to suppress the penalty calculation and not print the form.
4. Select the option to sort the Form 2210 with the tax return only when the Form 2210 is required to be filed.

TRANSMITTAL LETTER AND FILING INSTRUCTIONS

1. Select **Letters and Filing Instructions > General Options**.
2. Verify that the correct IRS Service Center for Florida is **Ogden, UT**. This should be selected automatically.
3. Verify that the option to print Filing Instructions and Transmittal Letter only is selected.



The Walton Trust requires separate federal filing instructions and a transmittal letter to the fiduciary. Estimate filing instructions are not required. Note that the default for Transmittal and Filing Instructions Preparation is to **Suppress All Letters**.

Most of these items will flow automatically in a client's real account and are set up by the Firm Administrator, so no entries in this Organizer are usually required.

Clients can use the procedure outlined above to override the account defaults on a return-by-return basis.

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.

OVERIDES

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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