

# INSTRUCTIONS FOR FIDUCIARY INCOME TAX RETURN SOUTH CAROLINA DEPARTMENT OF REVENUE SC1041 (Rev. 8/24/10)

## NEW SC1041 K-1

SC1041 K-1 is prepared by the estate or trust to show each beneficiary's share of the entity's income. Each item of income is adjusted as required by South Carolina law and allocated or apportioned to South Carolina or to states other than South Carolina.

## REMINDERS

- You must add back the federal deduction for domestic production activities provided in IRC Section 199.
- A charitable deduction for a gift of land, under IRC Section 170, must be added back unless the intent of the donor meets the requirements of S.C. Code Section 12-6-5590.
- South Carolina specifically does not recognize IRC Section 168(k) bonus depreciation.
- SC8736 is the extension form for partnership and fiduciary returns.
- An amended SC1041 must be filed whenever the Internal Revenue Service adjusts a federal 1041 return.

## A. FILING REQUIREMENTS

The fiduciary of a resident estate or trust must file a South Carolina Fiduciary return (SC1041) if the estate or trust:

- (a) is required to file a federal fiduciary income tax return for the taxable year, or
- (b) had any South Carolina taxable income for the taxable year, or
- (c) any beneficiary is a nonresident

The fiduciary of a nonresident estate or trust must file a South Carolina fiduciary return if the estate or trust had income or gain derived from South Carolina sources.

### Income from South Carolina sources includes income or gain from:

- (a) real or tangible personal property located within South Carolina,
- (b) a business, profession or occupation carried on in South Carolina, or
- (c) services performed within South Carolina.

For a nonresident estate or trust, income from the following is not considered to be derived from South Carolina sources: annuities, interest, dividends or gain from the sale or exchange of intangible personal property, unless it is part of the income from a business, trade, profession or occupation carried on within South Carolina.

## B. RESIDENT AND NONRESIDENT ESTATES AND TRUSTS DEFINED

A resident estate is the estate of a person who was a South Carolina resident at the time of death. All other estates are nonresident estates. A resident trust is any trust which is administered in South Carolina. A trust being administered outside of South Carolina shall not be considered a resident trust merely because the governing instrument or a law requires that the laws of South Carolina be followed with respect to interpretation of administration of the trust. All other trusts are nonresident trusts.

## C. WHERE TO OBTAIN FORMS

Forms are available on our website ([www.sctax.org](http://www.sctax.org)) or through Fax on Demand at 1-800-768-3676. Forms are also available at the SC Department of Revenue Taxpayer Service Centers. Any form that cannot be obtained locally may be requested from the SC Department of Revenue, Forms, Columbia, SC 29214-0402.

## D. WHEN AND WHERE TO FILE

A South Carolina fiduciary return of income should be completed after the federal fiduciary return is completed, but is due no later than the 15th day of the 4th month after the close of the taxable year. Returns should be mailed to SC Department of Revenue, Fiduciary Tax Return, Columbia, SC 29214-0009. Failure to file the return on time may subject the fiduciary to penalty. If additional time is needed to file your SC1041 you may file SC8736 by the due date of the return. **SC Department of Revenue will accept a federal extension in lieu of SC8736 provided the South Carolina income tax return shows a refund or no balance due when the return is filed.** If you intend to use the federal extension in lieu of South Carolina's extension, it is not necessary to send South Carolina a copy of the federal extension form by the due date of the tax return. Attach a copy of the federal extension when you file the tax return within the extended period.

## E. PAYMENT OF TAX

The balance of the tax shown to be due on line 19, page 1 of your South Carolina fiduciary return, Form SC1041, must be paid in full. Failure to pay your tax on time may subject you to assessment of penalty and interest. Payment should be made by check or money order to "SC Department of Revenue."

## F. ACCOUNTING PERIOD

The accounting period for which the South Carolina fiduciary return, Form SC1041, is filed and the method of accounting used must be the same as that used for federal tax purposes. If the estate's or trust's taxable year method of accounting is changed for federal purposes, the change applies similarly to the South Carolina fiduciary return.

## **G. FEDERAL ADJUSTMENTS**

Any taxpayer whose income has been adjusted by the Internal Revenue Service should report such adjustments to the SC Department of Revenue after the federal adjustments are agreed to or become final between the taxpayer and the Internal Revenue Service. Such adjustment shall be reported by filing an amended return for the applicable taxable year and attaching a copy of the revenue agent's report detailing such adjustments.

## **H. FIDUCIARY REPORTING OBLIGATIONS TO BENEFICIARIES**

Fiduciaries must provide to each resident beneficiary the amount of fiduciary adjustment to be used in the preparation of the beneficiary's South Carolina individual income tax return. (See column 4, Part II, page 2 of Form SC1041). In addition, fiduciaries must provide to each nonresident beneficiary the amount of the nonresident beneficiary's share of income and credits from Part IV, page 3 of Form SC1041. Fiduciary adjustments and beneficiaries' shares of fiduciary adjustments, and beneficiaries' shares of income and credits are computed in Parts I, II, III, and IV, pages 2 and 3 of Form SC1041. The following rules explain which of these parts should be completed.

- If a resident estate or trust has only resident beneficiaries, or if no amounts are distributable to nonresident beneficiaries, then it is necessary to complete only Parts I and II.
- If a resident estate or trust has nonresident beneficiaries, then it is generally necessary to complete all parts. However, if amounts distributed to nonresidents are non-taxable, then Part IV may be omitted.
- If all income of a resident estate or trust is taxable to the fiduciary and no distributions are made, or required to be made, then only Part I must be completed.
- If a nonresident estate or trust has resident and/or nonresident beneficiaries, then all parts must be completed. However, if all income is taxable to the fiduciary, then only Parts III and V are required to be completed.

## **I. DEDUCTIBILITY OF EXPENSES OF ADMINISTRATION**

Expenses of administering an estate must be deducted in the same manner that they are deducted for federal tax purposes. If these expenses are deducted on the federal fiduciary Form 1041, they may be deducted only on the South Carolina fiduciary return, Form SC1041 and may not be deducted for South Carolina estate tax purposes. If these expenses are deducted for federal estate tax purposes they may be deducted only for South Carolina estate tax purposes and may not be deducted on the South Carolina fiduciary return, Form SC1041.

## **J. EXEMPT TRUST**

A trust which by reason of its purpose or activities is exempt from federal income tax is also exempt from South Carolina income tax.

## **K. CHARITABLE REMAINDER TRUSTS**

Internal Revenue Code Section 664 which prescribes the basic rules for charitable remainder trusts has been adopted by South Carolina for income tax purposes. Therefore the South Carolina income tax treatment of these trusts is generally the same as for federal income tax. After preparing the required annual federal filing forms including Form 5227 (Split-Interest Trust Information Return) complete the information section on Page 1 of form SC1041. At the top of page 1, type or print the following statement:

"This is a charitable remainder trust as described in Internal Revenue Code Section 664. See attached Form 5227 for South Carolina income."

To prepare Form 5227 for South Carolina income, prepare a separate federal Form 5227 taking into account the differences in federal and state taxable income. For a summary of these differences, see Instructions to SC1041, Part I. Divide the South Carolina taxable income by the federal taxable income. Use that fraction to prorate the beneficiaries' South Carolina fiduciary adjustment. Indicate the proration on each SC1041 K-1 form. Attach copies of all federal forms filed in the year to the South Carolina forms.

## **L. DECLARATION OF ESTIMATED TAX**

Information on which fiduciaries must file a declaration of estimated tax follows the specific line instructions for SC1041.

### **SPECIFIC LINE INSTRUCTIONS FOR SC1041**

**Heading** - Enter the name, address, federal employer identification number, and county of the estate or trust in the appropriate blanks on page 1. Answer all questions at the top of the fiduciary form.

**Line 1 - Federal Taxable Income of Fiduciary:** Enter on line 1 the federal taxable income shown on page 1 of the federal fiduciary return, Form 1041. Nonresident estates and trusts should enter on line 1 the amount reported on line 22, column D, Part III, page 3, of South Carolina Form SC1041. (See instructions for "Part III - Computation of the Federal Taxable Income of the Estate or Trust from South Carolina Sources.")

**Line 2 - Federal Fiduciary Exemption:** Enter on line 2 the fiduciary exemption claimed on the federal income tax return to the extent it is included in the amount reported on line 1. (See federal Form 1041, line 20)

**Line 3 - Modifications Related to Principal or Non-Distributable Income:** Some of the modifications described in Part I may apply to gains allocated to principal or to other items not affecting federal distributable income. One example is the elimination of gain (or loss) from sale of real estate located outside of South Carolina. Another example is the 44% net capital gain deduction for capital assets held for more than one year. A Line 3 modification would also occur if property sold has a different basis for South Carolina income tax purposes than it does for federal income tax purposes. If any of these or similar modifications apply, attach a schedule listing the adjustments.

**Line 4 - South Carolina Fiduciary Adjustment:** No adjustment is to be made on this line by a nonresident estate or trust. A resident fiduciary should enter on line 4 its portion of the fiduciary adjustment from line 1, column 4, Part II, and page 2. (See instruction for "Part II - Allocation of South Carolina Fiduciary Adjustment.")

**Line 5 - Net:** Combine amounts on lines 1, 2, 3, and 4. Enter the results on line 5.

**Line 6 - South Carolina Fiduciary Exemption:** Enter on line 6 the South Carolina fiduciary exemption. The South Carolina fiduciary exemption for a resident estate or trust is the same amount of exemption allowable for federal income tax purposes. Nonresident estates or trusts should complete Part V (see instructions for "Part V - Nonresident Exemption Allowance of Fiduciary") to determine the portion of the federal fiduciary exemption which is allowed as the South Carolina fiduciary exemption.

**Line 7 - South Carolina Taxable Income:** Subtract line 6 from line 5 and enter balance on line 7. This is the amount upon which the tax is to be computed.

**Line 8 - South Carolina Tax:** To determine the amount of the fiduciary income tax liability, refer to this tax computation schedule, and compute the tax. Enter the amount on line 8, page 1.

**2010 TAX COMPUTATION SCHEDULE  
ESTATES AND TRUSTS TAX RATE**

If the income is: Compute your tax as follows and enter the results on SC1041 line 8.

| OVER -   | BUT NOT<br>OVER - | COMPUTATION   |
|----------|-------------------|---------------|
| -0-      |                   | \$0           |
| \$ 2,740 | 5,480             | 3% less \$82  |
| 5,480    | 8,220             | 4% less \$137 |
| 8,220    | 10,960            | 5% less \$220 |
| 10,960   | 13,700            | 6% less \$329 |
| 13,700   | or more           | 7% less \$466 |

**EXAMPLE OF COMPUTATION:**

South Carolina taxable income on SC1041 line 7 is \$15,240.

|          |  |
|----------|--|
| \$15,240 | income from line 7                                   |
| x        | .07 percent from tax computation schedule            |
|          | 1,067 (1,066.80 rounded to the nearest whole dollar) |
| -        | 466 subtract amount from tax computation schedule    |
|          | \$ 601   |

\$601 is the amount of tax to be entered on SC1041, Line 8.

**Line 9 - South Carolina Tax on Lump Sum Distributions and/or on Active Trade or Business Income:** If a resident estate or trust received a lump sum distribution and is taxed according to IRC section 402(e), the resident estate or trust is also subject to a South Carolina tax on the lump sum distribution. Complete SC4972 and attach to the return. If filing I-335, attach and include the amount of tax from line 7.

**Line 10 - Non-refundable Credits:** Enter non-refundable credits from SC1040TC. Be sure to attach the appropriate credit form. The credit may not exceed the sum of the tax on lines 8 and 9.

**Line 11 - Net Tax:** Add lines 8 and 9 less amount on line 10. If a credit is claimed on line 10, the balance cannot be less than zero.

**Line 12 - South Carolina Tax withheld for Nonresident Beneficiaries:** Estates and trusts are required to withhold taxes at a rate of 7% on each nonresident beneficiary's share of income from South Carolina sources. For information on income from South Carolina sources see "A. FILING REQUIREMENTS" on page 1 of the instructions. Enter the amount withheld from each nonresident beneficiary in column F, Part IV, page 3. For each nonresident beneficiary from whom an amount is withheld, a "Fiduciary Report on Nonresident Beneficiary Tax Withheld" Form SC41 must be prepared. A copy of this report must be forwarded to the beneficiary for whom the tax is withheld so that the beneficiary may attach it to his/her South Carolina income tax return.

**Note:** A trust or estate is not required to withhold taxes from South Carolina taxable income of a nonresident beneficiary who submits an affidavit and agreement to file returns and pay applicable taxes. The trust or estate must remit all affidavits to the South Carolina Department of Revenue. Affidavits should be attached to Form SC1041 or Form SC8736 (Request for Extension of Time to File South Carolina Tax Return) on or before the fifteenth day of the fourth month following the close of the trust or estate's tax year. The affidavit is Form I-41.

**Line 14 - Amount Paid with Request For Extension and Other Credits:** Enter amounts paid with "Request for Extension". If you are claiming credit for tax withholding, be sure to attach copies of W-2's or 1099's. Explain any amounts entered on line 14.

**Line 15 - Estimated Payments (and amounts applied from prior year return):** Enter the total SC1041ES estimated tax payments made before filing your South Carolina Tax Return, plus any amounts transferred from your prior year tax return.

**Line 16 - Reduce the amount on this line by any estimated income tax assigned to beneficiaries.** Write the assigned amount on the dotted line portion of this line.

**Line 18 - Underpayment Of Estimated Tax:** If the fiduciary underpaid its estimated tax, complete Form SC2210 and attach it to the return. If the fiduciary owes a penalty, show the amount in the space provided. If the fiduciary is due a refund subtract the penalty amount from the overpayment shown on line 18. If the fiduciary owes tax, add the penalty to the tax due and show the total on line 19. Form SC2210 is available on our website ([www.sctax.org](http://www.sctax.org)).

**Line 19 - Balance Due:** Subtract line 16 from line 13, enter the balance due on line 19.

**Line 20 -** To apply any or all of the refund toward next year's estimated tax, enter the amount on line 20.

**Line 21 - Net Refund:** If you have an amount on line 20, subtract line 20 from line 17 and enter the "Net Refund" on line 21; otherwise, enter the amount from line 17.

**Signature:** The fiduciary of the estate or trust must sign the fiduciary tax return. Check the "yes" box for release of confidential information. This authorizes the Director of the Department of Revenue or delegate to discuss this return, its attachments and any notices, adjustments or assessments with the preparer whose name is provided.

## ATTACH COPY OF THE FEDERAL RETURN

A copy of the federal income tax return as filed with the Internal Revenue Service (including all schedules) must be attached to the South Carolina fiduciary return. Failure to attach a copy of the federal return will cause a delay in the processing of the South Carolina fiduciary return.

## PART I - SOUTH CAROLINA FIDUCIARY ADJUSTMENT

Part I is provided for the computation of South Carolina fiduciary adjustment. The South Carolina fiduciary adjustment is the net amount of all the modifications permitted or required under the South Carolina Income Tax Act of 1976, as amended, of the items of federal income and deductions that enter into the federal distributable net income of the estate or trust.

### MODIFICATIONS THAT INCREASE FEDERAL TAXABLE INCOME

**Line 1a - State and Local Interest:** Enter on line 1a any state or municipal bond interest of states and political subdivisions, other than South Carolina.

**Line 1b - State or Local Taxes Measured by Income:** Enter on line 1b the total of any taxes measured by income or fees or payments in lieu of income taxes that were deducted on the federal fiduciary return.

**Line 1c - Federal Net Operating Loss Carryover:** Enter on line 1c the amount of any federal net operating loss (NOL) that you used in computing the federal taxable income reported on line 1, page 1 if you have South Carolina NOL. South Carolina recognizes federal NOL rules. No carrybacks are allowed.

**Line 1d - Out of State Losses:** Enter on line 1d out-of-state losses from business, trade, or profession claimed on the federal fiduciary return.

**Line 1e - Other Additions to Income:** Enter on line 1e any other additions required. Such additions to income include the following: federal estate tax deductions on income in respect of decedent; carryover of capital losses prior to January 1, 1985; any expense deducted on the federal fiduciary return related to any income exempt or not taxable by South Carolina; South Carolina tax exempt income allocable to charitable distributions. Nonresident sellers of South Carolina real property and associated tangible personal property that elect out of installment sales treatment for state income tax purposes pursuant to Section 12-8-580 will have an addition to federal taxable income in the year of sale so as to include the entire gain in South Carolina taxable income. Attach an explanation of the adjustments.

**Line 1f - Total Additions:** Add lines 1a, 1b, 1c, 1d and 1e. Enter total on line 1f.

### MODIFICATIONS THAT DECREASE FEDERAL TAXABLE INCOME

**Line 2a - Interest on US Government Obligations:** Enter interest income received from obligations of the United States or its possessions to the extent that it is included in line 1, page 1.

**Line 2b - State Income Tax Refunds:** Enter the amount of any state income tax refunds or any other income tax refunds to the extent included in line 1, page 1.

**Line 2c - South Carolina Net Operating Loss (Attach Schedule):** Enter the amount of South Carolina net operating loss carryover to which the estate or trust is entitled. For losses occurring after December 31, 1984, compute the loss using the federal method.

**Line 2d - Active Trade or Business Income deduction:** Enter the amount from I-335, line 5.

**Line 2e - Other Subtractions from Income:** Enter any other subtraction adjustment required. Such additional subtraction adjustments include the following:

- Accumulation Distribution: If during the year the estate or trust received a distribution as a beneficiary of another estate or trust that was made from accumulated earnings from prior years, such amount may be excluded from the current South Carolina fiduciary income to the extent that such amount was reported in line 1, page 1.
- Out-of-State Income: if you have reported income from a business, trade, or profession located outside South Carolina, enter this amount on line 2d. Personal service income of a resident would be taxable to South Carolina.
- Reduction of Basis Due to Federal Investment Credit: If you elect to reduce basis for federal purposes due to investment credit, the amount of reduction will be an ordinary expense for South Carolina purposes.
- South Carolina Estate Tax deduction on income in respect of a decedent.

**Line 2f - Total Subtractions:** Add lines 2a, 2b, 2c, 2d and 2e. Enter the total on line 2f.

**Line 3 - Total:** Subtract line 2f from line 1f. Enter the balance on line 3.

**Line 4 - Fiduciary and Partnership Adjustment (Attach Schedule):** If during the taxable year the estate or trust was a beneficiary of another estate or trust and is entitled to an adjustment from such other estate or trust, enter the amount of such adjustment on line 4. If during the taxable year the estate or trust received income from a partnership, joint venture, or Sub S corporation, enter on line 4 the amount of the adjustment, if any.

**Line 5 - South Carolina Fiduciary Adjustment:** Add lines 3 and 4. Enter the total on line 5.

## **Part II - ALLOCATION OF SOUTH CAROLINA FIDUCIARY ADJUSTMENT**

The South Carolina fiduciary adjustment is divided among the beneficiaries and the fiduciary in proportion to their share of the federal distributable net income. If the "separate share" rule is being used, the fiduciary adjustment is allocated accordingly. If there is no federal distributable net income, each beneficiary's share of the South Carolina fiduciary adjustment shall be in proportion to each share of the estate or trust income distributed. Any balance of the South Carolina fiduciary adjustment not allocated to the beneficiaries is allocable to the fiduciary. The estate or trust must advise each beneficiary of his share of the South Carolina fiduciary adjustment. The amount reported in column 4 is the amount which the fiduciary is required to submit to each beneficiary. Part II provides for the computation of the fiduciary's and beneficiary's share of the federal distributable net income. Percentages so determined are to be used in the division of the South Carolina fiduciary adjustment. This is true for both a resident or nonresident beneficiary.

**Column 1 - Name of Beneficiary** - Enter the name of the beneficiary beside letters a - h. Check the box if the beneficiary is a nonresident of South Carolina and enter the Social Security Number.

**Column 2 - Shares of Federal Distributable Net Income** - Total federal distributable net income must be the same as line 7, Schedule B, Form 1041.

**Column 3 - Percent** - Indicate percentages with two numbers, such as 32%, 3.2% and .32%.

**Column 4 - Shares of South Carolina Fiduciary Adjustment** - Enter the South Carolina Fiduciary Adjustment from line 5, Part 1 as the total of Column 4. Multiply each percentage in Column 3 times the total in Column 4. Indicate at the top of column 4 whether the adjustments are additions or subtractions. The amount after each name is reported as a modification, either an addition to or subtraction from federal taxable income. If the adjustment is a subtraction, it may not offset more than the amount reportable from the fiduciary for federal tax purposes (except in the final or termination year). Each resident beneficiary should add the explanation: "fiduciary adjustment - (Name of estate or trust)." A copy of this schedule (or its information) must be provided to each resident beneficiary. The fiduciary's share of the adjustment is entered on line 4 of page 1.

**Columns 2, 3 and 4** - Attach a detailed explanation of the allocation method used if there is no federal distributable net income, or, if the percentages do not agree with the relative shares indicated on federal Form 1041, Schedules B and K-1. For an estate or trust in which all beneficiaries are South Carolina Residents, the remaining portion (Parts III, IV and V of page 3) of the return may be omitted. If a fiduciary has nonresident beneficiaries, Part III and IV must be completed.

## **Part III - COMPUTATION OF FEDERAL TAXABLE INCOME OF THE ESTATE OR TRUST FROM SOUTH CAROLINA SOURCES**

Part III is to be completed by all resident estates and trusts which have nonresident beneficiaries, and by all nonresident estates and trusts with income or gain from South Carolina sources. Nonresident estates or trusts should report to South Carolina only that part of their federal taxable income derived from South Carolina sources. See "Income from South Carolina Sources" under FILING REQUIREMENTS. In order to determine the income to be reported and the modifications that relate thereto, complete Part III.

**Column B:** Enter in column B of Part III the total income or deductions reported or claimed on the federal fiduciary return for each item listed in column A..

**Column C:** Enter in column C that part of each item of income reported in Column B that is derived from South Carolina sources. Use direct accounting whenever possible. Intangible income will not be considered to be from South Carolina sources except where it is a part of a business, trade, or occupation carried on in South Carolina. Any item entered in column C should reflect only the amount that remains after all modifications have been performed.

**For Example:** State or local income taxes deducted on the federal return would not be included in column C. State income tax refunds reported as income on the federal return would not be included in column C. Also, any income from other estates, trusts, or partnerships should be modified, if necessary, before the item is entered in column C.

- Capital gains from South Carolina sources should be entered in column C only if the gain is distributed to the beneficiaries.
- Depreciation, depletion, and S.C. estate tax on income in respect of a decedent should be entered on the appropriate lines of column C (whether or not passed directly to the beneficiaries).
- Deductions should be directly allocated where possible. If it is not possible to directly relate those deductions to income from South Carolina sources they should be apportioned by multiplying the deductions by the ratio of total South Carolina income (line 9, column C) divided by total federal income (line 9, column B).
- Net income of the estate or trust from South Carolina sources after all modifications, is to be entered on line 22, column C.
- Enter on line 23, column C the total percentages of all nonresident beneficiaries only. These percentages come from Part II, page 2.
- Enter on line 24, column C the total income from South Carolina sources of all nonresident beneficiaries. This amount is computed by multiplying line 22, column C by the percentage entered on line 23, Column C.

**Column D:** Column D is to be completed by nonresident fiduciaries only. Enter in column D that part of column C applicable to the fiduciary. The amount to be entered in column D is computed by multiplying each entry in column C by the fiduciary's percentage of the South Carolina fiduciary adjustment as shown in Part II, page 2. A capital gain from South Carolina sources that is not distributed to the beneficiaries should be entered on line 4 of column D. Line 22, column D is the net income of the nonresident estate or trust from South Carolina sources applicable to the fiduciary which should be entered on line 1, page 1.

#### **Part IV - NONRESIDENT BENEFICIARIES' SHARES OF INCOME AND CREDITS**

**Column A:** Enter the names of the nonresident beneficiaries receiving distributable South Carolina income. If the Social Security numbers are not listed on either page 2 or on Form SC41, attach a schedule of this information. It is important that the correct Social Security numbers be listed for each beneficiary to assure proper posting to their accounts.

**Column B:** Enter in column B each nonresident beneficiary's percentage as computed in Part II, page 2.

**Column C:** Enter in column C the capital gain (loss) reportable to South Carolina by each nonresident beneficiary.

**Column D:** Enter each beneficiary's portion of the total ordinary income from South Carolina sources by multiplying column B by the amount on line 22, column C, Part III, page 3 after subtracting any capital gain on line 4.

**Column E:** Enter the amount of each nonresident beneficiary's income that is exempt from withholding by affidavit.

**Column F:** Add columns C and column D less column E amounts. Compute 7% of these amounts for each beneficiary and enter the amount in column F. The tax reported in this column is to be withheld by the fiduciary from the beneficiary. It is to be paid by the fiduciary to the state of South Carolina at the time estimated tax payments are due. If any tax is required to be withheld, complete Form SC41 for each nonresident beneficiary.

#### **PART V - NONRESIDENT EXEMPTION ALLOWANCE FOR FIDUCIARY**

Part V is to be completed only by nonresident estates or trusts. This part is to assist in the computation of the exemption allowance allowable to the nonresident estate or trust.

**Line 1 - Exemption Allowance Per Federal Return:** Enter on line 1 the exemption allowance claimed on the federal fiduciary return.

**Line 2 - Ratio:** Divide the amount shown on line 9, column D, Part III, by the amount shown on line 9, column B, Part III.

**Line 3 - South Carolina Nonresident Fiduciary Exemption:** Multiply the amount on line 1 by percentage on line 2 and enter amount on line 3, Part V and line 6, page 1, Form SC1041.

#### **WHICH FIDUCIARIES MUST FILE A DECLARATION OF ESTIMATED TAX**

Generally, a fiduciary must file a declaration of estimated tax if the expected total amount of tax owed when the return is filed will be \$100 or more. Estates are not required to file a declaration of estimated tax for the first two tax years after decedent's death. To file estimated tax, complete a South Carolina Declaration of Estimated Tax form (Form SC1041ES). Form SC1041ES is available on our website ([www.sctax.org](http://www.sctax.org)).

Any fiduciary required to file a declaration of estimated tax must estimate and pay at least 90% of the final actual tax liability or the fiduciary can pay an amount equal to 100% of the tax from the prior year's return (if the return covered all twelve months of the year). Certain estates and trusts cannot base their declaration of estimated tax on 100% of their prior year's tax liability. Estates and trusts with an adjusted gross income of more than \$150,000 as shown on the return for the preceding tax year must pay 110% of their prior year's tax liability. To compute adjusted gross income use federal guidelines and make South Carolina adjustments. Failure to meet the estimate requirements may subject the fiduciary to an underpayment penalty. Underpayment of estimate penalty is calculated on Form SC2210 which is available on our website ([www.sctax.org](http://www.sctax.org)).

#### **Social Security Privacy Act Disclosure**

It is mandatory that you provide your social security number on this tax form if you are an individual. 42 U.S.C 405(c)(2)(C)(i) permits a state to use an individual's social security number as means of identification in administration of any tax. SC Regulation 117-201 mandates that any person required to make a return to the SC Department of Revenue shall provide identifying numbers, as prescribed, for securing proper identification. Your social security number is used for identification purposes.

#### **The Family Privacy Protection Act**

Under the Family Privacy Protection Act, the collection of personal information from citizens by the Department of Revenue is limited to the information necessary for the Department to fulfill its statutory duties. In most instances, once this information is collected by the Department, it is protected by law from public disclosure. In those situations where public disclosure is not prohibited, the Family Privacy Protection Act prevents such information from being used by third parties for commercial solicitation purposes.