

TC-41C – Bankruptcy Estate Schedule

The filing of a bankruptcy petition for an individual debtor under chapter 7 or chapter 11 of the bankruptcy code creates a separate taxable entity known as a bankruptcy estate. The trustee (for chapter 7 cases) or the debtor-in-possession (for chapter 11 cases) must prepare and file the estate's tax returns and pay its taxes. The debtor remains responsible for filing returns and paying taxes on any income that does not belong to the estate.

Amended Return. If a bankruptcy case begins, but is later dismissed by the bankruptcy court, the estate is not treated as a separate taxable entity. If tax returns have been filed for the estate, amended returns must be filed to move income and deductions from the estate's returns to the debtor's returns. If no returns have been filed, report all income and deductions on the debtor's returns.

Utah Instructions. For purposes of the TC-41C, references made to federal form 1040 refer to the federal form 1040 that is attached as a schedule to federal form 1041 that the trustee or debtor-in-possession files on behalf of the bankruptcy estate with the Internal Revenue Service.

A trustee or debtor-in-possession of a bankruptcy estate (chapter 7 or chapter 11) must file form TC-41, *Utah Fiduciary Income Tax Return*, and attach a completed TC-41C, *Bankruptcy Estate Schedule*. Leave lines 4 through 21 of the TC-41 blank. Line 22 of the TC-41 is the tax calculated on the TC-41C, line 20.

- **Resident Bankruptcy Estate:** Complete lines 23 through 42 of the TC-41 according to the regular fiduciary instructions. Complete and attach only page 1 of TC-41C to your return; do not complete or attach TC-41C, page 2.
- **Nonresident or Part-year Resident Bankruptcy Estate:** Complete TC-41, lines 23 through 25, following the regular fiduciary instructions. Then complete TC-41C, page 2 to calculate the Utah tax. Enter the apportioned tax from TC-41C, line 58 on TC-41, line 26. Attach both pages 1 and 2 of TC-41C to your return.

The estate's tax liability is determined by completing the TC-41C with information and calculations similar to the Utah TC-40, *Individual Income Tax Return*.

The special bankruptcy estate instructions on TC-41C override those for TC-41 and TC-41B, where there is a conflict.

TC-41C, Page 1

Line 1. Federal Total Income

Enter the amount from line 22 of the bankruptcy estate's federal return, form 1040, attached to the federal fiduciary return, form 1041.

Line 2. Federal Adjustments to Income

Enter the amount from line 36 of the bankruptcy estate's federal return, form 1040, attached to the federal fiduciary return, form 1041.

Line 3. Federal Adjusted Gross Income

Subtract line 2 from line 1. (This amount must equal the federal adjusted gross income shown on line 37 of the bankruptcy estate's federal return, form 1040, attached to the federal fiduciary return, form 1041).

Line 4. Additions to Income

Enter the code and amount of each addition to income. Codes and explanations for these additions to income are in the TC-40 tax return instruction booklet.

Line 5. Add lines 3 and 4

Enter the total of line 3 and line 4.

Line 6. State Tax Refund Included on Federal Form 1040, Line 10

If you itemized your deductions on your 2015 federal form 1040, enter the amount reported on your 2016 federal form 1040, line 10. Otherwise, leave this line blank.

Line 7. Subtractions from Income

Enter the code and amount of each subtraction from income. Codes and explanations for these subtractions from income are in the TC-40 tax return instruction booklet.

Line 8. Utah Taxable Income (Loss)

Subtract the sum of lines 6 and 7 from line 5.

Line 9. Utah Tax

Multiply the Utah Taxable Income on line 8 by 5 percent (.05). Do not enter an amount less than "0".

Taxpayer Tax Credit (lines 10 - 19) (UC §59-10-1018)

Line 10. Personal Exemption

A bankruptcy estate exemption is \$3,038.

Line 11. Standard or Itemized Deductions

Enter \$6,300 (standard deduction) or the bankruptcy estate's federal itemized deductions from federal form 1040, Schedule A (if greater) attached to the federal fiduciary return, form 1041.

Line 12. Add Lines 10 and 11

Add the amounts on line 10 and line 11.

Line 13. State Income Tax Itemized on 2016 Federal Schedule A

Enter the amount, if any, of state income tax deducted on the bankruptcy estate's federal Schedule A, line 5 attached to the federal fiduciary return, form 1041. If you did not itemize your deductions on federal Schedule A, leave this line blank.

Line 14. Subtract Line 13 from Line 12

Subtract the amount on line 13 from line 12.

Line 15. Initial Credit before Phase-out

Multiply the amount on line 14 by 6 percent (.06). This is your initial taxpayer tax credit before phase-out.

Line 16. Base Phase-out Amount

The base phase-out amount for a bankruptcy estate is \$13,867.

Line 17. Phase-out Income

Subtract the base phase-out amount on line 16 from the Utah taxable income on line 8.

Line 18. Phase-out Amount

Multiply the amount on line 17 by 1.3 percent (.013). This is the credit phase-out amount.

Line 19. Taxpayer Tax Credit

Subtract the phase-out amount on line 18 from the initial credit on line 15. If the result is less than zero, enter "0".

Line 20. Utah Income Tax

Subtract the taxpayer tax credit on line 19 from the tax calculated on line 9. If the result is less than zero, enter "0".

Full-year Utah Resident Bankruptcy Estate:

Carry the amount on line 20 to TC-41, line 22, and then complete the rest of the TC-41 return. Attach TC-41C, page 1 to the TC-41 return. (Do not complete or attach TC-41C, page 2 to your return.)

Non-resident or Part-year Resident Bankruptcy Estate

Carry the amount on line 20 to TC-41, line 22. Complete TC-41, lines 23 through 25. Then complete TC-41C, page 2 to determine your apportioned Utah tax. Carry the amount from TC-41C, line 58 to TC-41, line 26. Then complete the rest of the TC-41 return.

2 TC-41C, Page 2 – Nonresident or Part-year Resident

If filing for a nonresident or part-year resident bankruptcy estate, complete form TC-41C, page 2 and attach it to the TC-41 return.

Residency Status

- If a nonresident, enter the two-character home state postal abbreviation. If you are a resident of a foreign country (a foreign national or citizen), enter "NA" in the home state abbreviation field.
- If a part-year resident, enter the date you established residency in Utah and the date such residency ended. Enter dates in the format mm/dd/yy.

Follow these steps to calculate your Utah tax:

1. Complete form TC-41C, page 1.
2. Carry the tax from TC-41C, line 20 to TC-41, line 22.
3. Complete form TC-41, lines 23 through 25.
4. Complete form TC-41C, page 2.

Line-by-Line Instructions

Note: Column A is for Utah income and adjustments. Column B is for total income and adjustments

Lines 21 - 35

Column A: Enter all income (loss) earned or received from Utah sources while not a Utah resident, plus all income (loss) earned or received from all sources while a Utah resident (even if not from a Utah source).

Column B: Enter the total income (loss) from all sources you reported on your federal return.

Line 36

Column A: Enter only the additions to income attributable to Utah shown on TC-40A, Part 1. In the case of an addition to income attributable to a Medical Savings Account addback, a Utah Educational Savings Plan (UESP) addback, or Reimbursed Adoption Expenses, only include the addition in Column A to the extent it was previously subtracted from Utah taxable income. Include in Column A an equitable adjustment shown on TC-40A, Part 1, only to the extent the equitable adjustment relates to additions to income from Utah sources.

Column B: Enter the total additions to income shown on TC-40A, Part 1.

Line 37

Enter the total of lines 21 through 36 for each column.

Lines 38 - 50

Column A: Enter adjustments applicable to Utah income.

Column B: Enter adjustments claimed on your federal return.

Line 51

Column A: Enter a subtraction for a state tax refund included on line 10 of federal form 1040, only to the extent the refund subtracted is related to Utah tax.

Column B: Enter the state tax refund included on line 10 of federal form 1040.

Line 52

Column A: Enter only the subtractions from income attributable to Utah shown on TC-40A, Part 2. Include in Column A an equitable adjustment shown on TC-40A, Part 2, only to the extent the equitable adjustment relates to subtractions from income from Utah sources.

Column B: Enter the total subtractions from income shown on TC-40A, Part 2.

Line 53

If you have federal adjustments on line 36 of federal form 1040, enter the description on the line 53 blank line and the adjustment amount(s) in Column A and Column B.

Line 54

Enter the total of lines 38 through 53 for each column.

Line 55

Subtract line 54 from line 37 for both Columns A and B.

Note: The amount on line 55 in Column B must equal the amount must on TC-41C, line 8.

Line 56

Divide the total on line 55, Column A by the total on line 55, Column B and enter the result on line 56. Round to four decimal places. Do not enter a decimal greater than 1.0000, and do not enter a negative number. (If the amount in Column A or Column B is zero, enter 0.0000 on line 56.)

Line 57

Enter the tax amount from form TC-41, line 25.

Line 58

Multiply the tax on line 57 by the decimal on line 56. This is your Utah tax. Carry this amount to TC-41, line 26. Then complete the rest of form TC-41.