

1996 Charitable Remainder and Pooled Income Trusts

541-B

Form header section containing fields for Full name of trust, Name of trustee(s), Address(es) of trustee(s), City, town or post office, state and ZIP code, and checkboxes for "Final Return" and types of trusts.

Part I Ordinary Income

Table with 8 rows for Ordinary Income items: Interest income, Dividends, Business income, Rents, royalties, partnership, other estates and trusts, Farm income, Ordinary gain, Other income, and Total ordinary income.

Deductions Allocable to Ordinary Income

Table with 4 rows for Deductions: Interest, Taxes, Other deductions, and Total deductions.

Capital Gains (Losses) and Allocable Deductions

Table with 4 rows for Capital Gains (Losses) and Allocable Deductions: Net capital gain (loss), Add unused capital loss carryover, Balance, and Balance after deductions.

Part II Accumulation Schedule

Table with 4 columns: Accumulations, (a) Ordinary income, (b) Capital gains (losses), and (c) Nontaxable income. Rows include Undistributed from prior years, Current year, Total, and Undistributed at end of taxable year.

Part III Current Distributions Schedule

Table with 5 columns: Name of recipient, Federal identifying number, (a) Ordinary income, (b) Capital gains (losses), and (c) Nontaxable income and corpus. Rows include recipient information for lines 23 and 24.

Part IV Unrelated Business Taxable Income

25 Did the trust have any unrelated business taxable income? Yes No. If "Yes," file a separate Form 541 to report the tax due or overpaid tax.

Signature and preparer information section including "Please Sign Here" and "Paid Preparer's Use Only" fields for trustee, preparer, and firm details.

Mail return to: FRANCHISE TAX BOARD, PO BOX 942840, SACRAMENTO CA 94240-0000

Part V Balance Sheet

		(a) All filers Book Value as of the end of the taxable year	(b) Unitrusts only – Fair Market Value as of date: ▶
Assets			
26	Cash – non-interest bearing	26	
27	Savings and temporary cash investments	27	
28	a Trade notes and accounts receivable	28a	
	b Less allowance for bad debts	28b	
29	Receivables due from officers, directors, trustees and other disqualified persons. Attach schedule	29	
30	Inventories	30	
31	Federal and state government obligations	31	
32	Accrued income	32	
33	Other current assets. Attach schedule	33	
34	Mortgage and real estate loans	34	
35	Other investments. Attach schedule	35	
36	a Buildings and other fixed depreciable assets	36a	
	b Less accumulated depreciation	36b	
37	a Depletable assets	37a	
	b Less accumulated depletion	37b	
38	Land (net of any amortization)	38	
39	Other assets. Attach schedule	39	
40	Total assets.	40	
Liabilities			
41	Accounts payable and accrued liabilities	41	
42	Loans from officers, directors, trustees and other disqualified persons. Attach schedule	42	
43	Mortgages and notes payable in less than 1 year	43	
44	Other current liabilities. Attach schedule	44	
45	Mortgages and notes payable in 1 year or more	45	
46	Other liabilities. Attach schedule	46	
47	Total liabilities	47	
Net Assets			
48	Trust principal or corpus	48	
49	Undistributed income and profits	49	
50	Total net assets. Add line 48 and line 49	50	
51	Total liabilities and net assets. Add line 47 and line 50	51	
To be completed ONLY by an IRC Section 664 charitable remainder annuity trust:			
52	a Enter the initial fair market value of the property placed in the trust	52a	
	b Enter the total annual annuity amounts for all recipients (attach schedules showing the amount for each recipient if more than one)	52b	
To be completed ONLY by an IRC Section 664 charitable remainder unitrust:			
53	a Enter the unitrust fixed percentage to be paid to the recipients.	53a	%
	b Unitrust amount. Subtract line 47, column (b) from line 40, column (b) and multiply the result by the percentage on line 53a.	53b	
Note: Complete line 54a through line 54b ONLY for those unitrusts whose governing instruments provide for determining required distributions with reference to the unitrust's income. Otherwise, enter the amount from line 53b on line 56.			
54	a Trust's accounting income for 1996	54a	
	b Enter the smaller of line 53b or line 54a here, and on line 56 below, unless the following " Caution " applies	54b	
Caution: Line 54a and line 54b need to be completed by those unitrusts whose governing instruments provide for current distributions to make up for any distribution deficiencies in previous years due to the trust income limit. See IRC Regulations Section 1.664-3(a)(1)(b)(2). For these trusts, when completing line 56 enter the smaller of line 54a or line 55b.			
55	a Total accrued distribution deficiencies from previous years.	55a	
	b Add line 53b and line 55a	55b	
56	If there is more than one recipient, attach a schedule showing the percentage of the total unitrust dollar amount payable to each recipient	56	
57	Carryover of distribution deficiency. Subtract line 56 from line 55b	57	
58	Did the trustee change the method of determining the fair market value of the assets?		<input type="checkbox"/> Yes <input type="checkbox"/> No
	If "Yes," attach an explanation.		
59	Were any additional contributions received by the trust during 1996?		<input type="checkbox"/> Yes <input type="checkbox"/> No
	If "Yes," attach a schedule that lists the assets and the date(s) received.		

Instructions for Form 541-B

Charitable Remainder and Pooled Income Trusts

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1993**, and to the California Revenue and Taxation Code (R&TC).

General Instructions

A Purpose of Form

Use Form 541-B to report financial activities of a charitable remainder annuity trust or a charitable remainder unitrust.

B Who Must File

The fiduciary for all charitable remainder trusts (as defined in IRC Section 664 or pooled income funds (as defined in IRC Section 642(c)(5)) must file Form 541-B for each calendar year. In addition, the fiduciary must also file Form 541-A, Trust Accumulation of Charitable Amounts, to report the information required in R&TC Section 18635 unless all net income is required to be currently distributed.

C When to File

File Form 541-B on or before April 15, 1997. However, if you need additional time to file, California grants an automatic six month extension. No request form is required to obtain this extension.

D Where to File

Mail Form 541-B to:
FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-0000

E Trust Instrument

You do not have to file a copy of the trust instrument unless the Franchise Tax Board requests it.

F California Tax Exemption

A charitable remainder annuity trust or a charitable remainder unitrust created after December 31, 1970, is exempt from California income tax, except for years when it has unrelated business taxable income. Even though exempt from California income tax, such a trust must file Form 541-B for the calendar year.

G Final Return

For the last taxable year of a charitable remainder annuity trust or a charitable remainder unitrust, check the "Final Return" box at the top of Form 541-B.

H Signature

The trustee or officer representing the trustee must sign Form 541-B. It must also be signed by any person preparing the fiduciary's return for compensation, and who is not a regular full-time employee of the trustee.

I Attachments

Use the schedules on Form 541-B unless you need more space. If you use attachments, they must:

- Show the form number and the taxable year;
- Show the trust's name and federal employer identification number;
- Include the information required by the form;
- Follow the format and line sequence of the form; and
- Be on the same size paper as the form.

Specific Instructions

Part I Divide the trust's income (both current and cumulative) into three categories: (1) ordinary income, (2) capital gains and losses and (3) nontaxable income.

Deductions

The following deductions are not permitted in computing ordinary income, capital gains or nontaxable income: federal, state and local income and excise taxes, charitable contributions (IRC Sec. 642(c)), net operating losses (IRC Sections 172 and 642(d)), distributions to beneficiaries (IRC Sec. 661) and capital loss carryforwards (IRC Section 1212).

1. Allocate deductions directly attributable to a particular class of income items to that class of income item (such as interest, dividends or rents). Allocate deductions directly attributable to corpus, to corpus.
2. Allocate deductions (not allocated under 1 above) on the basis of gross income after directly attributable deductions to the extent of such income.
3. Allocate deductions (not allocated under 1 or 2 above) in any manner even if the allocation results in a loss.

Allocate any expense that is not deductible in determining taxable income and not allocated to nontaxable income to corpus. Allocate all income and excise taxes to trust corpus.

Part II Accumulation Schedule

Report the income (both current and cumulative undistributed) of the trust for purposes of determining the character of distributions in three categories:

- Ordinary income;
- Capital gains and losses; and
- Nontaxable income.

A loss in any one of the three categories may not be used to reduce a gain in any other category. For example, a capital loss may not be used to reduce ordinary income. However, a loss in any category may be used to reduce undistributed gain for prior years within that same category, and any excess may be carried forward to reduce gain in future years within that same category.

Part III Current Distributions Schedule

Annuity and unitrust amounts required to be distributed have the following characteristics to the recipients:

- First, as ordinary income to the extent of the trust's ordinary income for the current year and undistributed ordinary income for prior years.
- Second, as capital gain to the extent of the trust's undistributed capital gains.
- Third, as nontaxable income to the extent of the trust's nontaxable income for the current year and undistributed nontaxable income for prior years.
- Fourth, as trust corpus. The accumulation distribution provisions do not apply.

Furnish each recipient (beneficiary) listed in Part III with a Schedule K-1 (541), Beneficiary's Share of Income Deductions, Credits, etc., that reflects his or her respective current distribution.

Part IV Unrelated Business Taxable Income

If the trust has any unrelated business taxable income within the meaning of IRC Section 512 and related regulations for the taxable year, the trust is taxable on all its income for the taxable year as a complex trust.

Complete and file a separate Form 541, California Fiduciary Income Tax Return, to report income and deductions and to compute the tax. Income and deductions, including the deduction for distributions to beneficiaries, are computed in accordance with the regular trust rules contained in the instructions for Form 541. However, the recipients will be taxed on amounts they receive in accordance with Specific Instructions, Part III. The grantor and substantial owner provisions do not apply.

Part V Balance Sheet

Complete the balance sheet using the accounting method the trust uses in keeping its books and records. All filers must complete column (a). All unitrusts must also complete column (b).

In completing column (b) for unitrusts, if an average value is used for more than one valuation date, enter "average" for the valuation date at the top of the column and report each valuation date in the attached explanation for line 58. Also, for purposes of this column, fair market value includes both accrued income and accrued liabilities.

Line 26 – Cash

Enter the total amount of cash, including cash held in checking accounts, deposits in transit, change funds, petty cash funds or any other non-interest bearing account. Do not include advances to employees or officers or refundable deposits paid to suppliers or others.

Line 27 – Savings and temporary cash investments

Enter the total amount of cash in savings or other interest-bearing accounts and temporary cash investments, such as money market funds, commercial paper, certificates of deposit and US Treasury bills or other governmental obligations that mature in less than 1 year.

Line 28 – Trade notes and accounts receivable

Enter the total trade notes and accounts receivable that arose from the sale of goods and/or the performance of services on line 28a. Claims against vendors or refundable deposits with suppliers or others may be reported here if not significant in amount. If the amount is significant, report it on line 39, Other assets. Any receivables due from officers, directors, trustees, foundation managers or other disqualified persons must be reported on line 29. Receivables due from other employees (including loans and advances) should be reported on line 39. Enter the allowance for bad debts on line 28b.

Line 29 – Receivables due from officers, directors, trustees and other disqualified persons

Enter the total amount of all receivables and loans (including advances) due from officers, directors, trustees and other disqualified persons. Attach a schedule providing information as follows:

- Report each loan separately, even if more than one loan was made to the same person or the same terms apply to all loans made. Salary advances and other advances for personal use and benefit and receivables subject to special terms or arising from transactions not functionally related to the trust's charitable purposes must be reported as separate loans for each officer, director, etc.
- Receivables that are subject to the same terms and conditions (including credit limits and rate of interest) as receivables due from the general public and that arose in connection with an activity functionally related to the trust's charitable purposes may be reported as a single total for all the officers, directors, etc. Travel advances made in connection with official business of the trust may also be reported as a single total.

For each outstanding loan or another receivable that must be reported separately, the schedule should show the following information:

- Borrower's name and title;
- Original amount;
- Balance due;
- Date of note;
- Maturity date;
- Repayment terms;
- Interest rate;
- Security provided by the borrower;
- Purpose of the loan; and
- Description and the fair market value of the consideration furnished by the lender.

The above detail is not required for receivables or travel advances that may be reported as a single total. However, report and identify those totals separately in the attachment.

Line 33 – Other current assets

Attach a schedule listing the value of each current asset individually to substantiate the totals shown in the respective columns.

Line 35 – Other investments

Enter the total amount of investments, including corporate stock and corporate bonds. Also include in this the basis amount of investments on land, buildings and equipment less accumulated depreciation. See the instructions for federal Form 5227, Split-Interest Trust Information Return, line 32a through line 34. Attach a schedule listing the value of each investment individually.

Line 39 – Other assets

Attach a schedule listing the value of all other assets not reported on previous lines.

Line 42 – Loans from officers, directors, trustees and other disqualified persons

Enter the total unpaid balance of loans received from officers, directors, trustees and other disqualified persons. For each loan outstanding at the end of the year, attach a schedule that provides the name and title of the lender and the information specified in the instructions for line 29.

Line 46 – Other liabilities

Both annuity trusts and unitrusts should include any advances from trustees on line 46. Unitrusts should also include any unitrust amounts applicable to prior years that are unpaid as of the valuation date since such amounts reduce the net fair market value of the trusts assets.

Line 49 – Undistributed income and profits

Enter the total amount of undistributed income, undistributed capital gains and undistributed nontaxable income.

Enter the unitrust fixed percentage (which may not be less than 5%) in the space provided on line 53a.

Enter the total accrued distribution deficiencies from previous years on line 55a. To determine the deficiencies:

1. Aggregate the unitrust's net asset fair market value for each previous year.
2. Multiply 1 above by the unitrust's fixed percentage.
3. Subtract the aggregate trust income that was distributed for previous years from 2 above.

On line 56, show the percentage of the total unitrust dollar amount payable to each recipient. The sum of these individual shares should be 100%.