included in the decedent's gross estate for estate tax purposes, the estate or trust is allowed to deduct in the same tax year that the income is included that portion of the estate tax imposed on the decedent's estate that is attributable to the inclusion of the IRD in the decedent's estate. For an example of the computation, see Regulations section 1.691(c)-1 and Pub. 559.

If any amount properly paid, credited, or required to be distributed by an estate or trust to a beneficiary consists of IRD received by the estate or trust, do not include such amounts in determining the estate tax deduction for the estate or trust. Figure the deduction on a separate sheet. Attach the sheet to your return.

CAUTION *If you claim a deduction for estate tax attributable to qualified dividends or capital gains, you may have to adjust the amount on Form 1041, page 1, line 2b(2), or Schedule D (Form 1041), line 18.*

Also, a deduction is allowed for the GST tax imposed as a result of a taxable termination or a direct skip occurring as a result of the death of the transferor. See section 691(c)(3). Enter the estate's or trust's share of these deductions on line 19.

Line 20—Exemption

Decedents' estates. A decedent's estate is allowed a $600 exemption.

Trusts required to distribute all income currently. A trust whose governing instrument requires that all income be distributed currently is allowed a $300 exemption, even if it distributed amounts other than income during the tax year.

Qualified disability trusts. A qualified disability trust is allowed a $3,650 exemption if the trust's modified AGI is less than or equal to $166,800. If its modified AGI exceeds $166,800, complete the worksheet below to figure the amount of the trust's exemption. To figure modified AGI, follow the instructions for figuring AGI for line 15b on page 22, except use zero as the amount of the trust's exemption when figuring AGI.

A qualified disability trust is any trust:

1. Described in 42 U.S.C. 1396p(c)(2)(B)(iv) and established solely for the benefit of an individual under 65 years of age who is disabled, and
2. All of the beneficiaries of which are determined by the Commissioner of Social Security to have been disabled for some part of the tax year within the meaning of 42 U.S.C. 1382c(a)(3).

A trust will not fail to meet item 2 above just because the trust's corpus may revert to a person who is not disabled after the trust ceases to have any disabled beneficiaries.

All other trusts. A trust not described above is allowed a $100 exemption.

Tax and Payments

Line 22—Taxable Income

Minimum taxable income. Line 22 cannot be less than the larger of:

- The inversion gain of the estate or trust, as figured under section 7874, if the estate or trust is an expatriated entity or a partner in an expatriated entity, or
- The sum of the excess inclusions of the estate or trust from Schedule Q (Form 1066), line 2c.

NOL. If line 22 (figured without regard to the minimum taxable income rule stated above) is a loss, the estate or trust may have an NOL. Do not include the deductions claimed on lines 13, 18, and 20 when figuring the amount of the NOL.

Generally, an NOL may be carried back to the prior 2 tax years. The 2-year carryback period does not apply to the portion of an NOL attributable to an eligible loss; a farming loss; a qualified disaster, GO Zone, recovery assistance, or disaster recovery assistance loss; or a specified liability loss. An estate or trust may also elect to carry an NOL forward only, instead of first carrying it back. For more information, see the Instructions for Form 1045, Application for Tentative Refund.

Complete Schedule A of Form 1045 to figure the amount of the NOL that is available for carryback or carryover. Use Form 1045 or file an amended return to apply for a refund based on an

Exemption Worksheet for Qualified Disability Trusts Only—Line 20

Keep for Your Records

Note: *If the trust's modified AGI* is less than or equal to $166,800, enter $3,650 on Form 1041, line 20. Otherwise, complete the worksheet below to figure the trust's exemption.*

1. Maximum exemption			1.	$3,650
2. Enter the trust's modified AGI*	2.			
3. Threshold amount	3.	$166,800		
4. Subtract line 3 from line 2	4.			
Note: *If line 4 is more than $122,500, enter $2,433 on line 9 below.* ***Do not*** *complete lines 5 through 8.*				
5. Divide line 4 by $2,500. If the result is not a whole number, increase it to the next higher whole number (for example, increase 0.0004 to 1)	5.			
6. Multiply line 5 by 2% (.02) and enter the result as a decimal	6.			
7. Multiply line 1 by line 6			7.	
8. Divide line 7 by 3			8.	
9. Exemption. Subtract line 8 from line 1. Enter the result here and on Form 1041, line 20			9.	

Figure the trust's modified AGI in the same manner as AGI is figured in the line 15b instructions on page 22,* ***except* *use zero when figuring the amount of the trust's exemption.*