



Note: *The draft you are looking for begins on the next page.*

Caution: DRAFT—NOT FOR FILING

This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information. **Do not file draft forms.** We incorporate all significant changes to forms posted with this coversheet. However, unexpected issues occasionally arise, or legislation is passed—in this case, we will post a new draft of the form to alert users that changes were made to the previously posted draft. Thus, there are never any changes to the last posted draft of a form and the final revision of the form. Forms and instructions are subject to OMB approval before they can be officially released, so we post drafts of them until they are approved. Drafts of instructions and pubs usually have some additional changes before their final release. Early release drafts are at [IRS.gov/DraftForms](https://www.irs.gov/DraftForms) and remain there after the final release is posted at [IRS.gov/LatestForms](https://www.irs.gov/LatestForms). Also see [IRS.gov/Forms](https://www.irs.gov/Forms).

Most forms and publications have a page on IRS.gov: [IRS.gov/Form1040](https://www.irs.gov/Form1040) for Form 1040; [IRS.gov/Pub501](https://www.irs.gov/Pub501) for Pub. 501; [IRS.gov/W4](https://www.irs.gov/W4) for Form W-4; and [IRS.gov/ScheduleA](https://www.irs.gov/ScheduleA) for Schedule A (Form 1040), for example, and similarly for other forms, pubs, and schedules for Form 1040. When typing in a link, type it into the address bar of your browser, not a Search box on IRS.gov.

If you wish, you can submit comments to the IRS about draft or final forms, instructions, or pubs at [IRS.gov/FormsComments](https://www.irs.gov/FormsComments). Include “NTF” followed by the form or pub number (for example, “NTF1040”, “NTFW4”, “NTF501”, etc.) in the body of the message to route your message properly. We cannot respond to all comments due to the high volume we receive and may not be able to consider many suggestions until the subsequent revision of the product, but we will review each “NTF” message. If you have comments on reducing paperwork and respondent (filer) burden, with respect to draft or final forms, please respond to the relevant information collection through the Federal Register process; for more info, click [here](#).

Instructions for Form 1120-SF



(Rev. December 2025)

U.S. Income Tax Return for Settlement Funds

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 1120-SF and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form1120SF](https://www.irs.gov/Form1120SF).

What's New

Form 1120-SF. Use the December 2025 revision of Form 1120-SF and instructions for 2025 and subsequent years until a superseding revision of Form 1120-SF is issued.

Increase in penalty for failure to file. For tax returns required to be filed after 2025, the minimum penalty for failure to file a return that is more than 60 days late has increased to the lesser of the tax due or \$525 (adjusted for inflation). See [Late filing of return](#), later.

Electronic payments. If the fund has access to U.S. banking services or electronic payment systems, it should use direct deposit for any refunds and pay electronically for any payments, whenever possible.

Direct deposit. Direct deposit fields have been added to the form on lines 20c, 20d, and 20e. If there is an overpayment on line 19, enter the amount the fund wants refunded on line 20b and complete the direct deposit information on lines 20c, 20d, and 20e. Instead of a direct deposit of the fund's refund, it can still choose to have all or part of the overpayment credited to next year's estimated tax by completing line 20a. See [Line 19](#), later, for more information.

Making a payment. If there is a balance due on line 18, go to [IRS.gov/Payments](https://www.irs.gov/Payments) for information on how to make a payment. See [Tax Payments](#) and the instructions for [line 18](#), later, for more details.

General Instructions

Purpose of Form

Use Form 1120-SF to report transfers received, income earned, deductions claimed, and distributions made, and to figure the income tax liability of a designated or qualified settlement fund.

Who Must File

All section 468B designated and qualified settlement funds must file an annual income tax return on Form 1120-SF.

When To File

Generally, a settlement fund must file its income tax return by the 15th day of the 4th month after the end of its tax year.

However, a fund with a fiscal tax year ending on June 30 must file by the 15th day of the 3rd month after the end of its tax year. A fund with a short tax year ending in June will be treated as if the short year ended on June 30, and must file by the 15th day of the 3rd month after the end of its tax year.

If the due date falls on a Saturday, Sunday, or legal holiday, the fund may file on the next business day.

Private delivery services (PDSs). Settlement funds can use certain PDSs designated by the IRS to meet the "timely mailing as timely filing" rule for tax returns. See the Instructions for Form 1120, U.S. Corporation Income Tax Return, for details.

Caution: PDSs can't deliver items to P.O. boxes. The fund must use the U.S. Postal Service to mail any item to an IRS P.O. box address.

Extension of time to file. File Form 7004, Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns, to request an extension of time to file. Generally, the settlement fund must file Form 7004 by the regular due date of the return. See the Instructions for Form 7004.

Who Must Sign

The return must be signed and dated by the administrator of the fund.

Paid Preparer Use Only section. If an employee of the fund completes Form 1120-SF, the paid preparer section should remain blank. Anyone who prepares Form 1120-SF but doesn't charge the fund shouldn't complete that section. Generally, anyone who is paid to prepare the return must sign and complete the section.

The paid preparer must complete the required preparer information and:

- Sign the return in the space provided for the preparer's signature,
- Include their Preparer Tax Identification Number (PTIN), and
- Give a copy of the return to the administrator.

A paid preparer may sign original or amended returns by rubber stamp, mechanical device, or computer software program.

Paid Preparer Authorization

If the fund wants to allow the IRS to discuss its tax return with the paid preparer who signed it, check the "Yes" box

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in the signature area of the return. This authorization applies only to the individual whose signature appears in the Paid Preparer Use Only section of the fund's return. It doesn't apply to the firm, if any, shown in that section.

If the "Yes" box is checked, the fund is authorizing the IRS to call the paid preparer to answer any questions that may arise during the processing of its return. The fund is also authorizing the paid preparer to:

- Give the IRS any information that is missing from the return;
- Call the IRS for information about the processing of the return or the status of any related refund or payment(s); and
- Respond to certain IRS notices about math errors, offsets, and return preparation.

The fund isn't authorizing the paid preparer to receive any refund check, bind the fund to anything (including any additional tax liability), or otherwise represent the fund before the IRS.

The authorization will automatically end no later than the due date (excluding extensions) for filing the fund's subsequent tax return. If the fund wants to expand the paid preparer's authorization or revoke the authorization before it ends, see Pub. 947, Practice Before the IRS and Power of Attorney.

Assembling the Return

To ensure that the fund's tax return is correctly processed, attach all schedules after page 2 of Form 1120-SF in alphabetical order followed by other forms in numerical order.

Complete every applicable entry space on Form 1120-SF. Don't enter "See Attached" or "Available Upon Request" instead of completing the entry spaces. If more space is needed on the forms or schedules, attach separate sheets using the same size and format as the printed forms.

If there are supporting statements and attachments, arrange them in the same order as the schedules or forms they support and attach them last. Show the totals on the printed forms. Enter the fund's name and employer identification number (EIN) on each supporting statement or attachment.

Tax Payments

Generally, the fund must pay any tax due in full no later than the due date for filing its tax return (not including

extensions). See the instructions for [line 18](#), later. If the due date falls on a Saturday, Sunday, or legal holiday, the payment is due on the next day that isn't a Saturday, Sunday, or legal holiday.

Electronic Deposit Requirement

Settlement funds must use electronic funds transfer (EFT) to make all federal tax deposits (such as deposits of employment, excise, and income taxes). An EFT can be made using the Electronic Federal Tax Payment System (EFTPS) or the fund's IRS business tax account. However, if the fund doesn't want to use one of these methods, it can arrange for its tax professional, financial institution, payroll service, or other trusted third party to make deposits on its behalf. Also, it may arrange for its financial institution to submit a same-day wire payment (discussed below) on its behalf. EFTPS is a free service provided by the Department of the Treasury. Payments made using the fund's IRS business tax account are also free. Services provided by a tax professional, financial institution, payroll service, or other third party may have a fee.

To get more information about EFTPS or to enroll in EFTPS, go to [EFTPS.gov](https://www.eftps.gov) or call 800-555-4477. To contact EFTPS using Telecommunications Relay Services (TRS) for people who are deaf, hard of hearing, or have a speech disability, dial 711 and then provide the TRS assistant the 800-555-4477 number above or 800-733-4829. Additional information about EFTPS is also available in Pub. 966.

For more information about making an EFT through the fund's IRS business tax account, go to [IRS.gov/BusinessAccount](https://www.irs.gov/BusinessAccount).

Depositing on time. EFTPS accepts same day payments of \$1 million or less if the payment is submitted before 3:00 p.m. Eastern time on a business day. If the fund's payment is more than \$1 million, the fund must submit the deposit by 8:00 p.m. Eastern time the day before the date the deposit is due. If the fund uses a third party to make deposits on its behalf, they may have different cutoff times.

Same-day wire payment option. If the fund fails to submit a timely deposit transaction on EFTPS, it can still make its deposit on time by using the Federal Tax Collection Service (FTCS). To use the same-day wire payment method, the fund will need to make arrangements with its financial institution ahead of time regarding availability, deadlines, and costs. Financial institutions may charge a fee for payments made this way.

Where To File

File the fund's return at the applicable IRS address listed below.

If the fund's principal business, office, or agency is located in:	Use the following address:
The United States	Department of the Treasury Internal Revenue Service Center Ogden, UT 84201-0012
A foreign country or U.S. territory	Internal Revenue Service Center P.O. Box 409101 Ogden, UT 84409

To learn more about the information the fund will need to provide to its financial institution to make a same-day wire payment, go to [IRS.gov/SameDayWire](https://www.irs.gov/SameDayWire).

Estimated Tax Payments

Generally, the following rules apply to the fund's payments of estimated tax.

- A fund must make installment payments of estimated tax if it expects its total tax for the year (less applicable credits) to be \$500 or more.
- The installments are due by the 15th day of the 4th, 6th, 9th, and 12th months of the tax year. If any date falls on a Saturday, Sunday, or legal holiday, the installment is due on the next regular business day.
- The fund must use EFTs to make installment payments of estimated tax.
- If, after the fund figures and deposits estimated tax, it finds that its tax liability for the year will be more or less than originally estimated, it may have to refigure its required installments. If earlier installments were underpaid, the fund may owe a penalty. See the instructions for [line 17](#), later.
- If the fund overpaid estimated tax, it may be able to get a quick refund by filing Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax.

See section 6655 for more information on how to figure estimated taxes.

Interest and Penalties

Interest. Interest is charged on taxes paid late even if an extension of time to file is granted. Interest is also charged on penalties imposed for failure to file, negligence, fraud, substantial valuation misstatements, substantial understatements of tax, and reportable transaction understatements from the due date (including extensions) to the date of payment. The interest charge is figured at a rate determined under section 6621.

Late filing of return. A fund that doesn't file its tax return by the due date, including extensions, may be penalized 5% of the unpaid tax for each month or part of a month the return is late, up to a maximum of 25% of the unpaid tax. The minimum penalty for a tax return that is more than 60 days late is the lesser of the tax due or \$525 (adjusted for inflation). Go to [IRS.gov/Newsroom/Inflation-Adjusted-Tax-Items-by-Tax-Year](https://www.irs.gov/Newsroom/Inflation-Adjusted-Tax-Items-by-Tax-Year) for adjusted failure-to-file penalty amounts for the applicable tax year. The penalty won't be imposed if the fund can show that the failure to file on time was due to reasonable cause. See [Reasonable-cause determinations](#), later.

Late payment of tax. A fund that doesn't pay the tax when due may generally be penalized $\frac{1}{2}$ of 1% of the unpaid tax for each month or part of a month the tax isn't paid, up to a maximum of 25% of the unpaid tax. The penalty won't be imposed if the fund can show that the failure to pay on time was due to reasonable cause. See [Reasonable-cause determinations](#), later.

Trust fund recovery penalty. This penalty may apply if certain excise, income, social security, and Medicare taxes that must be collected or withheld aren't collected or withheld, or these taxes aren't paid. The trust fund

recovery penalty may be imposed on all persons who are determined by the IRS to have been responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so. The penalty is equal to the full amount of the unpaid trust fund tax. See the Instructions for Form 720, Quarterly Federal Excise Tax Return, or Pub. 15, Employer's Tax Guide, for details, including the definition of "responsible persons."

Other penalties. Other penalties can be imposed for negligence, substantial understatements of tax, reportable transaction understatements, and fraud. See sections 6662, 6662A, and 6663.

Reasonable-cause determinations. If the fund receives a notice about penalties after it files its return, send the IRS an explanation, and we will determine if the fund meets the reasonable-cause criteria. **Don't** attach an explanation when the fund files its return.

Accounting Method

A designated or qualified settlement fund must use the accrual method of accounting.

Rounding Off to Whole Dollars

The fund may enter decimal points and cents when completing its return. However, the fund should round off cents to whole dollars on its return and schedules to make completing its return easier. The fund must either round off all amounts on its return to whole dollars, or use cents for all amounts. To round, drop amounts under 50 cents and increase amounts from 50 cents to 99 cents to the next dollar. For example, \$1.39 rounds to \$1 and \$2.50 rounds to \$3.

If two or more amounts must be added to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Recordkeeping

Keep the fund's records for as long as they may be needed for the administration of any provision of the Internal Revenue Code. Usually, records that support an item of income, deduction, or credit on the return must be kept for 3 years from the date the return is due or filed, whichever is later. Keep records that verify the fund's basis in property for as long as they are needed to figure the basis of the original or replacement property.

The fund should keep copies of all filed returns. They help in preparing future and amended returns.

Additional Information

See the Instructions for Form 1120 and Pub. 542, Corporations, for more information about corporations, including additional forms the fund may need to file and how to get forms and publications.

Definitions

Qualified Settlement Fund

A fund, account, or trust ("a fund") is a qualified settlement fund if it meets the following requirements.

- Governmental order or approval requirement.
- Resolve or satisfy requirement.
- Segregation requirement.

Governmental order or approval requirement. To meet this requirement, the fund must be ordered by, or approved by, the United States, any state (including the District of Columbia), territory, or political subdivision thereof, or any agency or instrumentality (including a court of law) of any of the foregoing, and it must be subject to the continuing jurisdiction of that governmental authority.

A fund is ordered by or approved by a governmental authority when the authority issues its initial or preliminary order to establish, or grants its initial or preliminary approval of, the fund, even if that order or approval may be subject to review or revision. Generally, a governmental authority's order or approval has no retroactive effect and doesn't permit a fund to be a qualified settlement fund prior to the date the order is issued or the approval is granted. However, see [Relation-back rule](#), later.

Arbitration panels. An arbitration award that orders the establishment of, or approves, a fund is an order or approval of a governmental authority if:

- The arbitration award is judicially enforceable;
- The arbitration award is issued following a bona fide arbitration proceeding in accordance with rules approved by a governmental authority (such as self-regulatory organization-administered arbitration proceedings in the securities industry); and
- The fund is subject to the continuing jurisdiction of the arbitration panel, the court of law that has jurisdiction to enforce the arbitration award, or the governmental authority that approved the rules of the arbitration proceedings.

Resolve or satisfy requirement. To meet this requirement, a fund must be established to resolve or satisfy one or more contested or uncontested claims that have resulted, or may result, from an event (or a series of related events) that has occurred and that has given rise to at least one claim asserting liability:

- Under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), as amended for settlement funds created before May 18, 2006;
- Arising out of a tort, breach of contract, or violation of law; or
- Designated by the IRS in a revenue ruling or revenue procedure.

Generally, a fund doesn't meet the resolve or satisfy requirement if it is established to resolve or satisfy a liability to provide property or services unless the transferor's obligation to provide property or services is extinguished by a transfer or transfers to the fund.

Note: Settlement funds created after May 17, 2006, for the purpose of resolving or satisfying liabilities under the CERCLA are exempt from tax. See section 468B(g)(2) for more information.

Segregation requirement. To meet this requirement, the fund must (a) be a trust under applicable state law, or (b) keep its assets segregated from other assets of the transferor (and related persons). For example, cash held by a transferor in a separate bank account satisfies the segregation requirement.

Classification of fund prior to meeting all three requirements. If a fund meets the resolve or satisfy requirement, the assets of the fund are treated as owned by the transferor of those assets until the fund also meets the governmental order or approval requirement and the segregation requirement. On the day the fund meets all three requirements, the transferor is treated as transferring the assets to a qualified settlement fund.

Relation-back rule. If a fund meets the resolve or satisfy requirement and the segregation requirement before it meets the governmental order or approval requirement, the transferor and the administrator (defined later) may jointly elect the relation-back election (defined below) to treat the fund as coming into existence as a qualified settlement fund on the later of (a) the date the fund meets the resolve or satisfy requirement and the segregation requirement, or (b) January 1 of the calendar year in which all three requirements are satisfied.

If a relation-back election is made, the assets held by the fund on the date the qualified settlement fund is treated as coming into existence are treated as transferred to the qualified settlement fund on that date.

Relation-back election. Make the relation-back election by attaching a copy of the election statement to Form 1120-SF for the tax year in which the qualified settlement fund is treated as coming into existence. The statement must be signed by each transferor and the administrator. File Form 1120-SF and the election statement by the due date of Form 1120-SF, including extensions. The election statement must contain the following.

- The words "Regulations section 1.468B-1 Relation-Back Election" at the top of the first page.
- The name, address, and identifying number of each transferor.
- The name, address, and EIN of the qualified settlement fund.
- The date on which the qualified settlement fund is treated as coming into existence.
- A schedule describing each asset treated as transferred to the fund on the date the fund is treated as coming into existence. The schedule of assets doesn't have to identify the amount of cash or the property transferred by a particular transferor.

Qualified settlement fund treated as a corporation.

Except as otherwise provided in Regulations section 1.468B-5(b), for purposes of subtitle F of the Internal Revenue Code, a qualified settlement fund is treated as a corporation and any tax imposed under Regulations section 1.468B-2(a) is treated as a tax imposed by section 11. See Regulations section 1.468B-2(k) for more information.

Designated Settlement Fund

A fund, account, or trust is a designated settlement fund if it meets the following requirements.

- It is established by a court order and completely extinguishes the taxpayer's tort liability.
- No amounts may be transferred to it other than in the form of a qualified payment (defined below).
- It must be administered by persons, a majority of whom are independent of the taxpayer.

- It is established for the principal purpose of resolving and satisfying present and future claims against the taxpayer arising out of personal injury, death, or property damage.
- The taxpayer (or any related person) may not hold any beneficial interest in the income or corpus of it.
- The taxpayer elects to have it treated as a designated settlement fund.

Qualified payment. A qualified payment is any money or property that is transferred to a designated settlement fund under a court order other than the following.

- Any amount that may be transferred from the fund to the taxpayer (or any related person).
- The transfer of any stock or indebtedness of the taxpayer (or any related person).

Note: A designated settlement fund is taxed in the same manner as a qualified settlement fund. In addition, if a fund doesn't meet the requirements of a designated settlement fund but does meet the requirements of a qualified settlement fund, the fund is treated as a qualified settlement fund.

Other Definitions

Administrator. An administrator, which may include a trustee if the designated or qualified settlement fund is a trust, is (in order of priority) any of the following.

- The person designated or approved by the governmental authority that ordered or approved the fund.
- The person designated in the escrow agreement, settlement agreement, or other similar agreement governing the fund.
- The escrow agent, custodian, or other person in possession of the fund's assets.
- The transferor or, if there are multiple transferors, all of the transferors unless an agreement is signed by all of the transferors that designates a single transferor as the administrator.

Transferor. A transferor is a person who transfers (or on whose behalf an insurer or other person transfers) money or property to a settlement fund to resolve or satisfy claims against that person.

Related person. A related person is any person who is related to the transferor within the meaning of section 267(b) or section 707(b)(1).

Specific Instructions

Period Covered

Enter the tax year in the space provided at the top of the form. For a calendar year, enter the last two digits of the calendar year in the first entry space. For a fiscal or short tax year return, fill in the tax year space at the top of the form.

Name and Address

Enter the fund's true name (as set forth in the charter or other legal document creating it), address, and EIN on the appropriate lines. Enter the address of the fund's principal office or place of business. Include the suite, room, or other unit number on the "Room or suite no." line. If the

post office doesn't deliver mail to the street address and the fund has a P.O. box, enter the box number instead.

Don't use the address of the registered agent for the state in which the fund is incorporated. For example, if a fund is incorporated in Delaware or Nevada and the fund's principal office is located in Little Rock, Arkansas, the fund should enter the Little Rock address.

If the fund receives its mail in care of a third party (such as an accountant or an attorney), enter on the street address line "C/O" followed by the third party's name and street address or P.O. box.

If the fund has a foreign address, enter the city or town, state or province, country, and foreign postal code in the spaces provided. Don't abbreviate the country name. Follow the country's practice for entering the name of the state or province and postal code.

Employer Identification Number (EIN)

Enter the fund's EIN. If the fund doesn't have an EIN, it must apply for one. An EIN can be applied for in the following ways.

- Online—Go to [IRS.gov/EIN](https://www.irs.gov/ein). The EIN is issued immediately once the application information is validated.
- By faxing or mailing Form SS-4, Application for Employer Identification Number.

If the fund hasn't received its EIN by the time the return is due, write "Applied For" in the space for the EIN and the date the fund applied in the space for the EIN. For more details, see the Instructions for Form SS-4.

Final Return, Name Change, Address Change, or Amended Return

Indicate a final return, name change, address change, or amended return by checking the appropriate box. If a change in address occurs after the return is filed, use Form 8822-B, Change of Address or Responsible Party — Business, to notify the IRS. See the instructions for Form 8822-B for details.

Part I. Income and Deductions

Income

Note: Amounts transferred to the fund by or on behalf of a transferor are generally excluded from income.

Line 1. Taxable interest. Enter total taxable interest received or accrued during the tax year, including any original issue discount (OID) or market discount that is includible in income during the tax year. If the fund acquired a taxable bond at a premium and elects to amortize bond premium on taxable bonds under section 171, only report the net amount of taxable stated interest on line 1 (that is, the excess of the taxable stated interest received or accrued during the tax year over the amortized bond premium for the tax year). Don't report on line 1 any tax-exempt interest (including tax-exempt OID). Don't offset interest expense against interest income.

Note: Report tax-exempt interest (including tax-exempt OID) on line 2 of Additional Information (on page 2 of Form 1120-SF). However, if the fund acquired a tax-exempt

bond at a premium, only report the net amount of tax-exempt stated interest on line 2 of Additional Information (that is, the excess of the tax-exempt stated interest received or accrued during the tax year over the amortized bond premium for the tax year, which is required under section 171).

Line 3. Capital gain net income. Every sale or exchange of a capital asset must be reported in detail on Schedule D (Form 1120), Capital Gains and Losses (and Form 8949, Sales and Other Dispositions of Capital Assets, if applicable), even if there is no gain or loss. See the Instructions for Schedule D (Form 1120).

Line 5. Other income. Enter any other taxable income not reported on lines 1 through 4. List the type and amount of income on an attached schedule. If the fund has only one item of other income, describe it in parentheses on the dotted line next to the entry space for line 5.

Deductions

Don't deduct:

- Expenses allocable to tax-exempt income (see section 265);
- Payments of claims made by the fund; and
- Expenses incurred by, or on behalf of, claimants or transferors.

Line 11. Other deductions. Enter the total of other deductions not entered on lines 7 through 10. List the type and amount of deduction on an attached schedule. If the fund has only one item of other deduction, describe it in parentheses on the dotted line next to the entry space for line 11.

Line 12. Net operating loss (NOL) deduction . Enter the total NOL carryovers from prior tax years, but don't enter more than the fund's taxable income. See Regulations section 1.468B-2(b)(4) for details.

Part II. Tax Computation

Line 14. Modified gross income. Modified gross income of a designated or qualified settlement fund is its gross income, as defined in section 61, computed with certain modifications. See Regulations section 1.468B-2(b) for more information.

Line 16. Credits and payments. Generally, no credits or payments are allowed other than those on lines 16a through 16e.

Line 17. Estimated tax penalty. A fund that doesn't make estimated tax payments when due may be subject to an underpayment penalty for the period of underpayment. Generally, a fund is subject to the penalty if its tax liability is \$500 or more and it didn't timely pay the lesser of:

- Its tax liability for the current year, or
- Its prior year's tax.

See section 6655 for details and exceptions, including special rules for large funds.

Use Form 2220, Underpayment of Estimated Tax by Corporations, to see if the fund owes a penalty and to figure the amount of the penalty. Generally, the fund

doesn't have to file this form because the IRS can figure the amount of any penalty and bill the fund for it. See Form 2220 for other information that may apply.

If Form 2220 is attached, check the box on line 17 and enter the amount of any penalty on that line.

Line 18. Tax due. Generally, the fund must pay any tax due in full no later than the due date for filing its tax return (excluding extensions). Payment of the tax due must be made electronically. See [Electronic Deposit Requirement](#), earlier, for the payment options for the fund. Also, go to [IRS.gov/Payments](#) for more detailed information.

If the fund cannot pay the full amount of tax owed, it can apply for an installment agreement online. The fund can apply for an installment agreement online if:

- It cannot pay the full amount shown on line 18,
- The total amount owed is \$25,000 or less, and
- The fund can pay the liability in full in 24 months.

To apply using the Online Payment Agreement Application, go to [IRS.gov/OPA](#).

Under an installment agreement, the fund can pay what it owes in monthly installments. There are certain conditions that must be met to enter into and maintain an installment agreement, such as paying the liability within 24 months and making all required deposits and timely filing tax returns during the length of the agreement.

If the installment agreement is accepted, the fund will be charged a fee and it will be subject to penalties and interest on the amount of tax not paid by the due date of the return.

Line 19. Overpayment. If there is an overpayment on line 19, enter the amount the fund wants refunded on line 20b. See the instructions for line 20b, later. The fund can also choose to have all or part of the overpayment credited to next year's estimated tax by completing line 20a. See the instructions for line 20a next.

Line 20a. Credited to next year's estimated tax. The fund can elect to apply all or part of the fund's overpayment to next year's estimated tax. Enter the amount from line 19 that the fund wants applied to next year's estimated tax.

Line 20b. Refunded. Enter the amount to be refunded to the fund on line 20b. If the fund has access to U.S. banking services, it should use direct deposit for any refunds, whenever possible.

The benefits of a direct deposit include a faster refund, the added security of a paperless payment, and the savings of tax dollars associated with the reduced processing costs.

Direct deposit of refund. If the fund wants its refund directly deposited into its checking or savings account at any U.S. bank or other financial institution, complete lines 20c through 20e. See the instructions for lines 20c, 20d, and 20e, later.

The fund isn't eligible to request a direct deposit if:

- The receiving financial institution is a foreign bank or a foreign branch of a U.S. bank, or
- The fund has applied for an EIN but is filing its tax return before receiving one.

Line 20c. Routing number. The routing number must be nine digits. The first two digits must be 01 through 12 or 21 through 32. Enter the financial institution's routing number and verify that the institution will accept a direct deposit.

Ask the fund's financial institution for the correct routing number to enter on line 20c if:

- The routing number on a deposit slip is different from the routing number on the fund's checks,
- The deposit is to a savings account that doesn't allow the fund to write checks, or
- The fund's checks state they are payable through a financial institution different from the one at which the account is located.

Line 20d. Type of account. Check the appropriate box for the type of account. Don't check more than one box. The fund must check the correct box to ensure the deposit is accepted.

Line 20e. Account number. The account number can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special symbols. Enter the number from left to right and leave any unused boxes blank. Don't include the check number.

If the direct deposit to the fund's account is different from the amount it expected, the fund will receive an explanation in the mail about 2 weeks after the refund is deposited.

Conditions resulting in a refund by check. If the IRS is unable to process the request for a direct deposit, a refund by check will be generated instead. Reasons for not processing a request include the following.

- The name of the fund on the tax return doesn't match the name on the account.
- The financial institution rejects the direct deposit because of an incorrect routing or account number.
- The fund fails to indicate the type of account the deposit is to be made to (that is, checking or savings).

Note: The IRS isn't responsible for a lost refund if the fund enters the wrong account information. Check with the fund's financial institution to get the correct routing and account numbers and to make sure the direct deposit will be accepted.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You aren't required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for business taxpayers filing this form is approved under OMB control number 1545-0123 and is included in the estimates shown in the instructions for their business income tax return.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can send us comments through [IRS.gov/FormComments](https://www.irs.gov/FormComments). Or you can write to the Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

Don't send Form 1120-SF to this office. Instead, see [Where To File](#), earlier.
