**Tax return problem chapter 20**

1 .Prepare the 2015 fiduciary income tax return (Form 1041) for the Blue Trust. In addition, determine the amount and character of the income and expense items that each beneficiary must report for the year, and prepare a Schedule K–1 for Betty Blue. Omit all alternative minimum tax computations. The year's activities of the trust include the following.

|  |  |
| --- | --- |
| Dividend income, all U.S. stocks | $50,000 |
| Taxable interest income | 10,000 |
| Tax-exempt interest income | 15,000 |
| Fiduciary's fees | 4,000 |

The trust and Betty both use the calendar tax year. Under the terms of the trust instrument, fiduciary's fees are allocated to income. The trustee must distribute all of the entity's accounting income to Betty Blue by February 15 of the following year. The trustee followed this charge and made no other distributions during the year. Fiduciary's fees properly were assigned as an offset to taxable interest income.

The trust was created on July 8, 1990. There are no tax credits for the year, and none of the entity's income was derived from a personal services contract. The trust has no economic interest in any foreign trust. Its Federal identification number is 11-1111111.

The trustee, Hoover State Federal Bank, is located at 4959 Cold Harbor Boulevard, Mountain Brook, AL 35223. Its employer identification number is 98-7654321. Betty lives at 67671 Crestline Road, Birmingham, AL 35212. Her Social Security number is 123-45-6789.