

1976

Instructions for Form 1040

AND for Schedules

A, B, C, D, E, F,

R, RP, and SE, and

Form 2441

Caution

There have been numerous substantial changes in the law affecting 1976 returns—
Please read carefully and thoroughly.

From The Commissioner

This instruction pamphlet contains information needed to complete Form 1040 and Schedules A, B, C, D, E, F, R, RP, and SE, and Form 2441. If, however, you decide to use Short Form 1040A, you can get Form 1040A and its instructions from any Internal Revenue Service office and many banks and post offices.

The 1976 Tax Reform Act may affect your taxes substantially. An expanded and simplified credit for the elderly has replaced the old retirement income credit. A credit for child care expenses is available to all eligible taxpayers, whether or not they itemize deductions. On the other hand, the former exclusion for sick pay has been replaced by a more restrictive disability income exclusion.

Completing your return this year could be more difficult. This year all taxpayers, whether or not they itemize their deductions and regardless of the size of their income, will need to compute taxable income (lines 43 through 47). Also, last year's simple credit for personal exemptions has been replaced by a larger, but more complex, general tax credit. However, the former multiple tax tables have been replaced by a single table and have been reduced from more than ten to three pages.

Space restrictions have caused us to remove certain little-used lines from the form—for example, the credit for purchase of a new principal residence and the tax from recomputing a prior-year WIN credit. If any of these items apply to you, you should review the instructions and complete the form carefully.

Please note the Presidential Election Campaign Fund Check-Off on line 8 of your 1040. Without increasing your tax or decreasing your refund, you have the right to earmark \$1 (on a joint return \$1 each for husband and wife) of your taxes for a general fund to meet expenses of the 1980 Presidential Election.

The instructions have been provided to help you prepare your own return. If you need help, please call us at the number listed for your area on page 34 or visit your nearest Internal Revenue office. If you decide to have someone else help you, be sure to select a qualified person.

You can help yourself and us if you check your return to make sure that it is correct and then file it early. Thanks for your cooperation.

Earned Income Credit

Line 23c.—Like many others, you may be entitled to a special payment or credit of up to \$400 called the earned income credit. It may come as a refund check or be applied against any taxes you owe. Generally, if you reported earned income and line 15c is under \$8,000, you may be able to claim the credit.

For this purpose, earned income means wages and salaries (after the disability income exclusion, if applicable), tips,

other employee compensation, and your net earnings from self-employment (generally amount shown on Schedule SE (Form 1040) line 13). If you are married, you must file a joint return to be eligible for the credit. Certain married persons living apart with a dependent child may also be eligible to claim the credit—see *Were You Married and Living Apart from Your Spouse* on page 7.

To find out if you qualify, please answer the following questions:

	Yes	No
A Is your adjusted gross income, Form 1040, line 15c less than \$8,000?		
B Is your earned income (see line 5 below) less than \$8,000?		
C Did you pay more than half the cost of keeping up a home in the U.S. in which you lived and which for the entire year* (except for temporary absences for vacation, school, etc.) was also the home of (1) your child who was under 19 years of age or a full-time student, OR (2) your dependent child who is disabled (see page 8)?		

* If your child was born in 1976, adopted or placed with you by an authorized placement agency for adoption during 1976 or became your stepchild during 1976, the entire year home requirement will have been satisfied if your home was this child's home from the date of birth, adoption, placement, or becoming your stepchild through the end of 1976.

If you answer "Yes" to questions A, B, and C above, you may be eligible and should complete the Earned Income Credit Worksheet.

Earned Income Credit Worksheet

Do not complete this worksheet if you checked the box on Form 1040, line 3 (Married Filing Separately), if you are entitled to file Form 4563, Exclusion of Income from Sources in the United States Possessions, or if you file Form 2555, Exemption of Income Earned Abroad.

1 Amount of wages, salaries, tips, etc. from Form 1040, line 9	
Caution: <i>If you make an irrevocable election not to claim the disability income exclusion and at the end of the taxable year you were under age 65, include on line 1 that portion of your disability income (attributable to periods prior to your reaching minimum retirement age) that you included on Schedule E (Form 1040), line 5, or Form 1040, line 32b.</i>	
2 Disability income exclusion (sick pay) from Form 1040, line 15b	
3 Subtract line 2 from line 1	
4 Net earnings from self-employment from Schedule SE (Form 1040), line 13. (Reduce for any amount also included in line 1 above and for any amounts that are not included in income such as the rental value of parsonage or rental allowance furnished a minister.)	
5 Earned income (add lines 3 and 4; however, if line 4 is a loss, subtract line 4 from line 3—if less than zero, enter zero and do not complete the rest of this worksheet because you do not have any earned income credit)	
6 Adjusted gross income from Form 1040, line 15c	
7 Amount from line 5 or line 6, whichever is larger	
8 Enter 10% of line 5 but not more than \$400 <i>If line 7 is \$4,000 or less, do not complete the rest of this worksheet but enter the amount from line 8 on Form 1040, line 23c. Also write the first name of your child who qualifies you for the credit in the space to the left of the line 23c entry space if not shown on line 4 or line 6b.</i>	
9 Amount from line 7	
10 Limitation base	\$4,000.00
11 Subtract line 10 from line 9	
12 Enter 10% of line 11	
13 Earned income credit (subtract line 12 from line 8). Enter here and on Form 1040, line 23c. Also write the first name of your child who qualifies you for the credit in the space to the left of the line 23c entry space if not shown on line 4 or line 6b. (Do Not File This Worksheet—Retain for Your Records).	

Highlights for 1976

Please note these important reminders and changes that have been made because of revisions in the tax law.

Who Must File.—The income level at which an income tax return must be filed has been increased. If your gross income is less than \$5,100, be sure to see page 4.

The Standard Deduction has been increased again. See page 9 and line 44b.

A New General Tax Credit replaces the \$30 personal exemption credit. You may claim the greater of (1) \$35 per exemption shown on line 6d, or (2) 2% of line 47 but not more than \$180 (\$90, if married, filing separately). See page 10 and lines 17a, b, and c.

A New Simplified Tax Table has been developed for use by individuals with taxable income (line 47) of \$20,000 or less. This table replaces the more complex tables based on the number of exemptions used prior to 1976.

Earned Income Credit Rules Have Been Liberalized.—The dependency requirement for your child who is under 19 or a full-time student has been eliminated. Also, you may be eligible to claim the credit if you have a disabled child 19 or over whom you can claim as a dependent. See page 2.

Credit for the Elderly.—A new expanded and simplified credit for the elderly replaces the more complex retirement income credit. See Schedules R & RP and related instructions.

Child Care.—Certain payments made for child and dependent care are now claimed as a credit against tax, instead of only as an itemized deduction. See pages 12 and 17.

Minimum Tax.—New tax preference items have been added, the \$30,000 exemption has been reduced, and the tax rate has been increased from 10% to 15%. See page 12.

Disability Income Exclusion (Sick Pay).—You may be able to exclude up to \$100 a week of your pension income, but only if you are under 65 and totally and permanently disabled. See page 9.

Business Use of Home.—Deductions for business use, including office use, of a home are restricted. See pages 11 and 15.

Rental of Vacation Home.—New limitations apply to deductions that may be taken for rental of a vacation home. See Instructions for Schedule E.

Limitation on Deductible Losses.—Losses from certain farming, leasing, motion picture film or video tape, and oil and gas well activities are limited to the total amount you invested plus the amount for which you are personally liable. See Instructions for Schedules C, E, and F. New provisions also limit the amount of losses certain partners may deduct. See Instructions for Schedule E.

Investment Interest.—The amount allowable as a deduction for interest on investment indebtedness has been reduced. See page 14.

Prepaid Interest.—Deductions for interest prepayments must be allocated over the period of the loan. See page 14.

Foreign Income.—The amount of earned income from sources outside the United States that may be excluded has been reduced from \$20,000 to \$15,000. See page 8.

Preparers' Identifying Numbers are now required. See page 6.

New Depreciation Recapture Rules apply to disposition of depreciable residential real estate. See Instructions for Form 4797.

New Rules Apply for Recapture of Intangible Drilling and Development Costs on oil and gas properties. See Instructions for Form 4797.

You may obtain a copy of **Publication 17**, Your Federal Income Tax, or other publications by using the order blank on the next to the last page. This publication will explain how the 1976 Tax Reform Act will affect your 1976 tax liability.

Forms and Schedules may also be obtained by using the order blank on the next to the last page.

The Foreign Accounts and Foreign Trust Questions must be answered if you are required to complete Part I or Part II of **Schedule B**. If you had a foreign account or were a grantor of, or a transferor to, a foreign trust, you must answer both questions in Part III of **Schedule B**, whether or not you are otherwise required to file **Schedule B**.

Foreign Bank, Securities and Other Financial Accounts, and Grantors, Transferors or Beneficiaries of Foreign Trusts.—You must complete Form 4683 if.—

(1) you had any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country (except in a U.S. military banking facility operated by a U.S. financial institution),

OR

(2) you were the grantor of, or transferor to, a foreign trust, during any taxable year, which foreign trust was in being during the current taxable year, whether or not you have any beneficial interest in such trust.

Please note that this year Form 4683 must be filed by taxpayers having any interest in a foreign trust. In prior years this form was required to report an interest in a trust only if the interest was more than a 50% interest.

Form 1040 General Instructions

Where to Get Forms

In general, we mail forms and schedules directly to you based on what you filed last year. Many people will need only the forms we sent them. The order blank on the next to last page will help you get many of the forms, schedules, and publications referred to in these instructions. Many banks and post offices have the same material. However, if you do not find what you need there, please fill out the order blank and we will send it to you.

Who Must File

(See page 8 for examples of income)

File a return if you are:

	And your gross income is at least:
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Single (legally separated, divorced, or married living apart from spouse with dependent child) and are under 65	\$2,450
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Single (legally separated, divorced, or married living apart from spouse with dependent child) and are 65 or older	3,200
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A person who can be claimed as a dependent on your parent's return, and has taxable dividends, interest, or other unearned income	750
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A qualifying widow(er) with dependent child and are under 65	2,850
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A qualifying widow(er) with dependent child and are 65 or older	3,600
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Married filing jointly, living together at the end of 1976 (or at date of death of spouse), and both are under 65	3,600
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Married filing jointly, living together at the end of 1976 (or at date of death of spouse), and one is 65 or older	4,350
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Married filing jointly, living together at the end of 1976 (or at date of death of spouse), and both are 65 or older	5,100
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Married filing separate return or married but not living together at end of 1976	750
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A person with income from sources within U.S. possessions	750
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Self-employed and your net earnings from self-employment were at least \$400.

If income tax was withheld or if you are eligible for the earned income credit, then even though you are not required to file a return, you should file to get a refund. If you are filing solely because of the earned income credit, see Form 1040A Instructions to determine whether you can file Short Form 1040A.

These rules are for all U.S. citizens and resident aliens, including those under 21 years of age. These rules also apply to those nonresident aliens and resident aliens who are married to citizens or residents of the U.S. at the end of 1976 and who elect to file a joint return as discussed on page 7, Filing Status.

Dual-Status Tax Year.—You have a dual-status tax year if you were both a non-resident alien and a resident alien (or U.S. citizen) during the tax year. If you had a dual-status tax year before 1976 and you

were either (1) unmarried at the end of 1976, or (2) married to a resident or citizen of the U.S. at the end of 1976 and do not elect to file a joint return as discussed on page 7, Filing Status, either of the following applies to you:

(1) if you were a resident of the U.S. at the end of the year, file your return on Form 1040 and clearly mark at the top left of the return "Dual-Status Return." Attach a separate schedule (Form 1040NR clearly marked "Statement" may be used) to your return to show the income tax computation for that part of the tax year during which you were a nonresident alien;

(2) if you were not a U.S. resident or citizen on the last day of the year, file your return on Form 1040NR and clearly mark at the top left of the return "Dual-Status Return." Attach a separate schedule (Form 1040 clearly marked "Statement" may be used) to show the income tax computation for that part of the year during which you were a U.S. resident or citizen.

In either case, you **MUST** itemize your deductions and you **MAY NOT** claim the standard deduction, use the head of household column of the tax table, or use tax rate schedule Z. For more information and additional restrictions applying to dual-status taxpayers, obtain **Publication 519, United States Tax Guide for Aliens.**

U.S. Citizens Living Abroad.—Generally, foreign source income must be reported on your return. See "What Income to Report" on page 8, and obtain **Publication 54, Tax Guide for U.S. Citizens Abroad.**

Death of Taxpayer.—If a person died in 1976, or in 1977 before filing a return for 1976, the surviving spouse or personal representative of the estate must file a return for the deceased. If a refund is due, attach Form 1310 to the return.

For purposes of these instructions, personal representative means the executor, executrix, administrator or administratrix of the decedent's estate; if no executor, executrix, administrator or administratrix is appointed, qualified and acting within the United States, personal representative means any person in actual or constructive possession of any property of the decedent.

The personal representative can file a joint return for the decedent with the surviving spouse. If a personal representative has not been appointed, the survivor can still file a joint return. The 1976 income of the decedent prior to death and the income of the surviving spouse for the entire year must be included in the joint return.

If you are filing such a joint return, write in the signature area "Filing as surviving spouse." Show the date of death in the name and address space. For more information, obtain **Publication 559, Federal Tax Guide for Survivors, Executors, and Administrators.**

Rounding Off to Whole Dollars.—You may round off cents to the nearest whole dollar on your return and schedules. You can drop amounts under 50 cents—increase amounts from 50 to 99 cents to next dollar. Example, \$1.39 becomes \$1 and \$2.69 becomes \$3.

Recordkeeping.—Your records must be retained as long as their contents may be material in the administration of any Internal Revenue law. Records that support an item of income, deduction, or credit

appearing on your return should be kept until the statute of limitations expires for that return. Usually this is 3 years from the date the return was due or filed, or 2 years from the date the tax was paid, whichever occurs later. Some records must be kept indefinitely. Records of transactions relating to the basis of property should be retained as long as they are material in determining the basis of the original or replacement property. Copies of your filed tax returns should also be retained as part of your records. Obtain **Publication 552, Recordkeeping Requirements** and **A Guide to Tax Publications**, for further details.

IRS will figure your tax if your income on line 15c is \$20,000 or less, was only from wages, salary and tips, dividends, interest, pensions and annuities, and you want to take the standard deduction.

All you do is:

1. Place your name and address label on your return, or fill in name, address, and social security number. Also fill in occupation. On a joint return, show names, social security numbers and occupations of both you and your spouse. If you are married, give social security numbers of both you and your spouse even though you file separately.

2. Fill in lines 1 through 7.

3. Check appropriate "Yes" or "No" box(es) on line 8 (Presidential Election Campaign Fund).

4. Fill in lines 9 through 15c, lines 19, 21, 23a, b, and e, if necessary, and check the box on line 44b. Also, attach Schedule B and Form 4683 (foreign accounts and trusts), if applicable.

5. On a joint return, show your and your spouse's income separately in the space below your spouse's signature so IRS can figure your tax in the way that will give you the smallest tax.

6. Sign your return. Both you and your spouse must sign a joint return.

7. File on or before April 15, 1977.

We will then figure your tax and send you a refund check if you paid too much or bill you if you did not pay enough.

Note: If you are eligible to claim the earned income credit (see page 2), we will figure the credit for you if you write EIC on line 23c. Also write the first name of your child who qualifies you for the credit in the space to the left of the line 23c entry space if not shown on line 4 or line 6b. If you have a credit for the elderly, we will figure that also. Just attach Schedules R & RP after you have checked the applicable box for filing status and age and filled in line 2(a) of Schedule R, or lines 1, 2, and 5 of Schedule RP, whichever schedule is applicable. Then write CFE on line 19 of Form 1040.

When to File

File as soon as you can after January 1, but not later than April 15, 1977. Late filing may subject you to penalties and interest. See instructions for Penalties and Interest on page 10.

Amended Return

Use Form 1040X to correct any error in a previously filed income tax return.

Privacy Act Notification

The Privacy Act of 1974 provides that each Federal Agency inform individuals, whom it asks to supply information, of the authority for the solicitation of the information and whether disclosure of such information is mandatory or voluntary; the principal purpose or purposes for which the information is to be used; the routine uses which may be made of the information; and the effects on the individual of not providing the requested information. This notification applies to the U.S. Individual Income Tax Returns, to declarations of estimated tax, to U.S. Gift Tax Returns, and to any other tax return required to be filed by an individual, and to schedules, statements, or other documents related to the returns, and any subsequent inquiries necessary to complete, correct, and process the returns of taxpayers, to determine the correct tax liability and to collect any unpaid tax, interest, or penalty.

The Internal Revenue Code requires every person liable for any tax imposed by the Code to make a return or statement according to the forms and regulations prescribed by the Internal Revenue Service (sections 6001 and 6011 and the Regula-

tions pertaining thereto). Individuals required to make returns, statements, or other documents shall include their Social Security Numbers to provide proper identification and to permit processing the returns (section 6109 and the Regulations pertaining thereto).

The principal purpose for soliciting tax return information is to administer the Internal Revenue laws of the United States. This includes the determination and collection of the correct amount of tax. The completion of all appropriate items requested by the return forms and related data is mandatory except for the Presidential Election Campaign Fund designation on the U.S. Individual Income Tax Returns, which is voluntary.

The Code provides penalties for failure to file a return, failure to supply information required by law or regulations, failure to furnish specific information required on return forms or for furnishing fraudulent information. Other effects of not providing all or part of the requested information may include the disallowance of claimed exemptions, exclusions, credits, deductions, or adjustments resulting in increased tax liability, the loss of Social Security credits, loss or delay in issuance of a refund for overpayment, interest and

penalty charges on unpaid taxes, and other disadvantages to the taxpayer.

The routine uses which may be made of tax return information include disclosure in accordance with law to the Department of Justice in connection with actual or potential criminal prosecution or civil tax litigation; to other Federal agencies; to States, the District of Columbia, and the Commonwealths or possessions of the United States to assist in the administration of their tax laws; to other persons in accordance with and to the extent permitted by law; and to foreign governments in accordance with treaties.

Further information concerning the requirements for filing returns and furnishing information may be obtained from any Internal Revenue Service office.

This will be the principal notification under the Privacy Act of 1974 concerning the solicitation of information in connection with any tax return or tax liability of an individual. Additional notices may be given (but are not required) with respect to specific information requests during the course of tax administration activities such as audit, investigation or collection of any tax, interest, or penalty. Please retain this notification with your tax records and refer to it any time you are requested to furnish additional information.

Where to File

Use the addressed envelope that came with your return, or use the address for your State. Mail your return to the Internal Revenue Service Center for the place where you live.

Alabama—4800 Buford Highway, Chamblee, Georgia 30006
Alaska—1160 West 1200 South Street, Ogden, Utah 84201
Arizona—1160 West 1200 South Street, Ogden, Utah 84201
Arkansas—3651 South Interregional Highway, Austin, Texas 78740
California—5045 East Butler Avenue, Fresno, California 93888
Colorado—1160 West 1200 South Street, Ogden, Utah 84201
Connecticut—310 Lowell Street, Andover, Massachusetts 01812
Delaware—11601 Roosevelt Boulevard, Philadelphia, Pennsylvania 19155
District of Columbia—11601 Roosevelt Boulevard, Philadelphia, Pennsylvania 19155
Florida—4800 Buford Highway, Chamblee, Georgia 30006
Georgia—4800 Buford Highway, Chamblee, Georgia 30006
Hawaii—5045 East Butler Avenue, Fresno, California 93888
Idaho—1160 West 1200 South Street, Ogden, Utah 84201
Illinois—2306 East Bannister Road, Kansas City, Missouri 64170
Indiana—3131 Democrat Road, Memphis, Tennessee 38110
Iowa—2306 East Bannister Road, Kansas City, Missouri 64170
Kansas—3651 South Interregional Highway, Austin, Texas 78740
Kentucky—3131 Democrat Road, Memphis, Tennessee 38110
Louisiana—3651 South Interregional Highway, Austin, Texas 78740

Maine—310 Lowell Street, Andover, Massachusetts 01812
Maryland—11601 Roosevelt Boulevard, Philadelphia, Pennsylvania 19155
Massachusetts—310 Lowell Street, Andover, Massachusetts 01812
Michigan—Cincinnati, Ohio 45298
Minnesota—1160 West 1200 South Street, Ogden, Utah 84201
Mississippi—4800 Buford Highway, Chamblee, Georgia 30006
Missouri—2306 East Bannister Road, Kansas City, Missouri 64170
Montana—1160 West 1200 South Street, Ogden, Utah 84201
Nebraska—1160 West 1200 South Street, Ogden, Utah 84201
Nevada—1160 West 1200 South Street, Ogden, Utah 84201
New Hampshire—310 Lowell Street, Andover, Massachusetts 01812
New Jersey—1040 Waverly Avenue, Holtsville, New York 11799
New Mexico—3651 South Interregional Highway, Austin, Texas 78740
New York
New York City and Counties of Nassau, Rockland, Suffolk and Westchester—1040 Waverly Avenue, Holtsville, New York 11799
All Other Counties—310 Lowell Street, Andover, Massachusetts 01812
North Carolina—3131 Democrat Road, Memphis, Tennessee 38110
North Dakota—1160 West 1200 South Street, Ogden, Utah 84201
Ohio—Cincinnati, Ohio 45298
Oklahoma—3651 South Interregional Highway, Austin, Texas 78740
Oregon—1160 West 1200 South Street, Ogden, Utah 84201
Pennsylvania—11601 Roosevelt Boulevard, Philadelphia, Pennsylvania 19155

Rhode Island—310 Lowell Street, Andover, Massachusetts 01812
South Carolina—4800 Buford Highway, Chamblee, Georgia 30006
South Dakota—1160 West 1200 South Street, Ogden, Utah 84201
Tennessee—3131 Democrat Road, Memphis, Tennessee 38110
Texas—3651 South Interregional Highway, Austin, Texas 78740
Utah—1160 West 1200 South Street, Ogden, Utah 84201
Vermont—310 Lowell Street, Andover, Massachusetts 01812
Virginia—3131 Democrat Road, Memphis, Tennessee 38110
Washington—1160 West 1200 South Street, Ogden, Utah 84201
West Virginia—3131 Democrat Road, Memphis, Tennessee 38110
Wisconsin—2306 East Bannister Road, Kansas City, Missouri 64170
Wyoming—1160 West 1200 South Street, Ogden, Utah 84201

If you are located in, Use this address

If you are located in,	Use this address
Panama Canal Zone, American Samoa	11601 Roosevelt Boulevard Philadelphia, Pennsylvania 19155
Guam	Commissioner of Revenue and Taxation Agana, Guam 96910
Puerto Rico (or if excluding income under section 933) Virgin Islands: Non-permanent residents	11601 Roosevelt Boulevard Philadelphia, Pennsylvania 19155
Virgin Islands: Permanent residents	Department of Finance, Tax Division, Charlotte Amalie, St. Thomas, Virgin Islands 00801
Foreign country and have an A.P.O. or F.P.O. address	Center for your permanent home State
Foreign country: U.S. citizen and those excluding income under section 911 or 931	11601 Roosevelt Boulevard Philadelphia, Pennsylvania 19155

Guide for Preparing a Return

You may find it helpful in completing your Form 1040 to follow these steps and check them off as you go.

— **Step 1.—Gather up your income records** including all Forms W-2, W-2P, and 1099. If your employer does not give you a Form W-2 by January 31, or if the one you have is not correct, contact your employer as soon as possible. Only your employer can issue your W-2 or correct it. If unable to secure Form W-2 from your employer by February 15, contact an Internal Revenue Service office.

— **Step 2.—If you are going to claim any credits or itemize your deductions, collect all necessary information and expense records**, such as medical and dental bills, real estate taxes, State income tax, home mortgage interest, and charitable contributions. To make sure you do not forget any items, look on pages 12 through 18 of these instructions. Check the credits and types of expenses you can deduct. Put these records aside until later.

— **Step 3.—Get any forms or schedules you need** but did not receive by mail. See the order blank on the next to last page to help you decide which ones you will need.

— **Step 4.—Name and Address.** Use the mailing label on the forms we sent you. Correct your name and address if necessary. Also show your apartment number if you have one. If you did not receive forms with a label, print or type your name and address.

— **Step 5.—Social Security Number.** If your social security number is wrong on the label or if you did not receive a label, show your correct number on your return. If you are married, give numbers of both you and your spouse whether you file jointly or separately.

If you do not have a social security number, get an application **Form SS-5** from a Social Security Administration office, post office, or from IRS. File it with the local office of the Social Security Administration. Do this early enough to make sure you receive a number before April 15. If you do not receive a number by April 15, file your return without it and write "Applied for" in the space for social security number.

Be sure to show occupations in spaces in upper right corner just below social security blocks.

— **Step 6.—Filing Status.** Check only one box (lines 1 through 5). Your tax rate and your standard deduction depend on the box you check. So before you decide, see instructions for Filing Status on page 7.

— **Step 7.—Exemptions.** Fill in lines 6a, b, c, d, e, and f. See instructions for Exemptions on page 7.

— **Step 8.—Check appropriate "Yes" or "No" box(es)** on line 8 (Presidential

Election Campaign Fund). If you check the "Yes" box(es), it will not increase your tax or reduce your refund.

— **Step 9.—Fill in the schedules and forms** mentioned for lines 10, 11, 15b, 29 through 33, and 38 through 40a if you need to. Enter the totals from your schedules on the correct lines on Form 1040. If you file Schedule B, be sure to answer the questions in Part III and attach Form 4683, if it is required.

If you need more space on forms or schedules, attach separate sheets and use the same arrangement as the printed forms, but show your totals on the printed forms. Be sure to put your name and social security number on these separate sheets.

Fill in lines 9, 12 through 15a, 15c, 34 through 37, and 40b through 42.

— **Step 10.—Now fill in line 43.** If you have unearned income and can be claimed as a dependent on your parent's return, be sure to check the box.

— **Step 11.—Decide whether to use the standard deduction or itemize your deductions.** The instructions "Should You Use the Standard Deduction or Itemize Your Deductions?" on page 9 will help you decide.

— **Step 12.—If you decided to itemize deductions**, fill in Schedule A, enter your total deductions on line 44 of Form 1040, and be sure to check the box on line 44a. Skip step 13.

— **Step 13.—If you decided to take the standard deduction**, use the larger of (a) or (b).

(a) *Percentage Standard Deduction.*—You are permitted a deduction of 16% of line 43, subject to a maximum amount.

(b) *Low-Income Allowance.*—You are permitted a deduction of a flat amount to insure that you will not be subject to Federal income tax if your income is below certain levels.

Instructions on page 9 will help you compute your standard deduction. Enter your standard deduction on line 44 and be sure to check the box on line 44b.

— **Step 14.—Fill in lines 45, 46, and 47.** If line 47 is \$20,000 or less find your tax in the Tax Table, show the tax on line 16, and check the Tax Table box. If line 47 is more than \$20,000, use Tax Rate Schedule X, Y, or Z to figure your tax. Show the tax on line 16 and check the Tax Rate Schedule X, Y, or Z box.

— **Step 15.—Figure your general tax credit.** Enter on line 17c the amount from line 17a or line 17b, whichever is greater. If you show 6 or more exemptions on line 6d, the amount on line 17a will be greater.

Caution: Married persons filing separate returns may choose the amount on either line 17a or line 17b. But if one uses line 17b (2%

of line 47, limited to \$90) both must use it.

— **Step 16.—Fill in lines 48 through 66 if you have credits, other taxes, or other payments to report.** Complete the forms or schedules asked for. Enter the amounts from these lines on the front of Form 1040. Fill in any other amounts needed for lines 18 through 28.

— **Step 17.—If you owe tax**, show amount on line 25. Attach check or money order for full amount when you file. Make it out to Internal Revenue Service and be sure to write your social security number on it. If line 25 is under \$1, you do not have to pay.

— **Step 18.—If we owe you a refund**, show amount on line 26. On line 27 or 28, show whether you want some or all of the money refunded or credited to 1977 estimated tax. If line 26 is under \$1, we will send you a refund only on written request.

— **Step 19.—Recheck Your Return.** Go over all items and make sure they are right. Also check your arithmetic.

— **Step 20.—Sign and Date Your Return and Make Sure the Preparer (if any) Also Signs.** It is not considered a return unless you sign it. Both you and your spouse must sign a joint return.

If the person who prepares your return for pay is not an employee of a firm, corporation or another individual, then that person must sign the return as preparer and enter his or her social security number and address.

If the person who prepares your return for pay is an employee of a firm, corporation or another individual, then that person must sign the return and also enter the employer's name, identification number, and address.

Note: The law requires such tax return preparers to include their identifying number and to furnish you a copy of the return.

If prepared by your regular, full-time employee, such as a clerk, secretary, or bookkeeper, your employee does not have to sign.

— **Step 21.—Attachments.** Attach Forms W-2, or W-2P (copy B) to front of Form 1040. If you took an adjustment for disability income exclusion on line 15b be sure to attach Form 2440. Attach schedules in alphabetical order and forms other than W-2 or W-2P in numerical order to the back of Form 1040. If you owe tax, be sure to attach your payment to the front of Form 1040.

Note: If you move after filing your return and you are expecting a refund, you should notify both the post office serving your old address and the service center where you filed your return, of your address change. This will help in forwarding your check to your new address as promptly as possible. Be sure to include your social security number in any correspondence with the IRS.

Instructions for Page 1 of Form 1040

Filing Status

Decide How You Should File From the Explanations Below

Were You Married or Single?—If you were married on December 31, consider yourself married for the whole year. If you were single, divorced, or legally separated on December 31, consider yourself single for the whole year. If you were a "Married person living apart from your spouse" as described on this page, consider yourself single for the whole year.

If your spouse died during 1976, consider yourself married for the whole year.

Married Persons.—Should you file joint or separate returns?

Joint Return.—In most cases, married couples will pay less tax if they file jointly.

You and your spouse can file a joint return even if you did not live together for the full year. Both you and your spouse are responsible for any tax due on a joint return, so if one of you does not pay, the other may have to.

Special Election for Aliens.—You may elect to file a joint return with your spouse if, at the time of the election, you were a nonresident alien individual married to a citizen or resident of the United States, and you and your spouse agree to be taxed on your combined worldwide income.

If one spouse was a nonresident alien at the beginning of the taxable year and a resident of the United States on the last day of the taxable year and the other spouse was a citizen or resident of the United States at the close of the taxable year, you may elect to file a joint return if you both agree to be taxed on your combined worldwide income.

For more details, obtain **Publication 519, United States Tax Guide for Aliens.**

Things to Remember on a Joint Return.—Use the mailing label sent you with your return if it shows names and social security numbers of both you and your spouse. If it does not, or if you did not receive a label, show first names and middle initials of both. For example: John F. and Mary L. Doe. Enter social security numbers for both. Show all income, exemptions, and deductions of you and your spouse. Both of you must sign the return.

Separate Returns.—You can file separately if both you and your spouse had income or if only one of you had income. Both you and your spouse must figure your tax the same way. This means if one itemizes deductions, the other must itemize. If one takes the percentage standard deduction, the other must take the percentage standard deduction and cannot take the low-income allowance (this is \$1,050 for a separate return). You each report only your own income, exemptions, and deductions, and you are responsible only for the tax due on your own return. If you and your spouse live in a community property State and both itemize deductions, those paid from joint funds can be divided equally between you. For more details, obtain **Publication 555, Community Property and the Federal Income Tax.**

Tax Savings.—Before you file a separate return, see if you can reduce your tax by meeting the tests described in "Were You Married and Living Apart From Your Spouse?" If so, use the Single filing status or, if you qualify, Unmarried Head of Household.

Things to Remember on a Separate Re-

turn.—Check the box on line 3, "Married filing separately." If both you and your spouse file separate returns, write your spouse's full name in the space provided on line 3 and enter spouse's social security number in the designated space.

If only one files, check the applicable boxes on lines 6a and 6e if you can claim the exemptions for your spouse. See instructions for Exemptions on this page. Only the one who had income should sign the return.

Were You Married and Living Apart from Your Spouse?—Some married people can file as Single or as Unmarried Head of Household and ignore the rules for married people filing separate returns. This means that you may be eligible to claim the earned income credit. It also means that if your spouse itemizes deductions, you do not have to. You can use the standard deduction if you want and your limit is \$2,400 instead of the \$1,400 allowed married persons filing separately. Both you and your spouse can file this way if both meet the tests.

You can file as a single person, and check the box on line 1 for Single, if you meet all of the following tests:

- (1) You file a separate return.
- (2) You paid more than half the cost to keep up your home for 1976.
- (3) Your spouse did not live in your home at any time during 1976.
- (4) For over six months of 1976, your home was the main home of your child or stepchild whom you can claim as a dependent.

You can check the box on line 4 for Unmarried Head of Household if your home in test (4) was the child's main home for all of 1976.

Were You an Unmarried Head of Household?—There are special tax rates for a person who can meet the tests for being an Unmarried Head of Household. See Tax Table and Tax Rate Schedule Z.

You may use unmarried head of household tax rates ONLY IF on December 31, 1976, you were single (including certain married persons living apart) or legally separated, AND met one of the following tests:

- (1) You paid more than half the cost of keeping up a home which was the main home of your father or mother whom you can claim as a dependent (you did not have to live with that parent).
- (2) You paid more than half the cost of keeping up your home which, except for temporary absences for vacation, school, etc., was lived in all year by one of the following:

(a) Your unmarried child, grandchild, foster child or stepchild. This person did not have to be your dependent.

Note: If you are claiming the filing status of "Unmarried Head of Household" because of an unmarried child, grandchild, foster child or stepchild who is not your dependent, enter that person's name in the space provided on line 4.

(b) Any other person listed in (5)(a) under "Lines 6b and 6c—Children and Other Dependents" on page 8, that you can claim as a dependent provided he or she is not your dependent under a multiple support agreement (this is where two or more taxpayers supported the relative and no one gave more than half the support).

Taxpayers married to nonresident aliens can qualify as unmarried head of household under certain circumstances. Consult an IRS office for further information, in-

cluding information on limited standard deduction and how to figure your tax.

Were You a Qualifying Widow or Widower with a Dependent Child?—If so, you may still be able to use joint return tax rates for 1976. See Tax Table and Tax Rate Schedule Y.

If your spouse died during 1975 or 1974 and you did not remarry before the end of 1976, you can file a return for 1976 showing only your own income, exemptions, and deductions, and figure the tax at joint return rates if you meet all of the following tests:

(1) You could have filed a joint return with your spouse for the year your spouse died. Whether you actually filed jointly does not matter.

(2) You have a child or stepchild you can claim as a dependent.

(3) Your home was the main home of that child during 1976, except for temporary absences for vacation and school.

Check the box on line 5 "Qualifying widow(er) with dependent child" and give year of death in the parentheses. Do not claim an exemption for your spouse. You can claim the exemption only for the year your spouse died.

If your spouse died in 1976 and you did not remarry, read "Were You Married or Single?" on this page. If spouse died before 1974, read "Were You an Unmarried Head of Household?" on this page to determine if you qualify, otherwise you must file as Single.

Exemptions (\$750 for Each Exemption You Can Take)

Lines 6a and 6e—You and Your Spouse.

For You.—You can always take one exemption for yourself. Take two exemptions if you were blind, or are 65 or older. Take three if you were both blind and 65 or older. Be sure to check all the boxes for the exemptions you can take.

Age and blindness are determined as of December 31. However, if your 65th birthday was on January 1, 1977, you can consider yourself 65 on December 31, 1976.

You can take the age and blindness exemptions for you and your spouse if your spouse does not file a separate return. Do not take these exemptions for your children or other dependents.

Proof of Blindness.—If you are completely blind, attach a statement to this effect. In cases of partial blindness, submit with your return each year a statement from an eye physician or registered optometrist that you: (a) cannot see over 20/200 with glasses or (b) your field of view does not exceed 20 degrees. If, however, this eye condition will never improve beyond the standards in (a) or (b), you may submit a certified opinion to this effect from a skilled examining eye physician. You need to attach this certification only once to your return. In subsequent years attach only a statement referring to it.

For Your Spouse.—If you are filing a joint return, you can take an exemption for your spouse. If you file a separate return, you can take an exemption for your spouse only if your spouse had no income and was not the dependent of someone else.

The exemptions for your spouse are like your own—one, if your spouse was neither blind nor 65 or older—two, if blind or 65 or older—three, if both blind and 65 or older.

If your spouse died during 1976, check the boxes for the exemptions you could have taken for your spouse on the date of death.

Nonresident Alien Spouse.—If you did not elect to file a joint return, you may claim your spouse's exemptions only if your spouse had no income from United States sources and is not the dependent of another taxpayer. Use lines 6a and 6e to claim exemptions for a nonresident alien spouse. When claiming your spouse's regular exemption on line 6a, write "NRA" to the right of the line 6a.

Lines 6b and 6c—Children and Other Dependents.—Show on line 6b the first names and the total number of your dependent children who lived with you during 1976.

If you claim other dependents, complete columns (a) through (e) on line 7. Enter on line 6c the total number of dependents shown in line 7.

Each person you claim as a dependent has to meet all of the following tests:

(1) **Income.**—Received less than \$750 income. (If your child¹ was under 19 or was a full-time student, ignore this test. See "Student Dependent.")

(2) **Support.**—Received over half his or her support from you or is treated as receiving over half of his or her support from you under rules for "Children of divorced or separated parents" or "Dependent supported by two or more taxpayers" on this page. If you file a joint return, the support can be from either spouse. See "Meaning of Support."

(3) **Married Dependents.**—Did not file a joint return with his or her spouse.

(4) **Citizenship or Residence.**—Was a citizen or resident of the U.S., a resident of Canada, Mexico, the Republic of Panama or Canal Zone, or an alien child adopted by and living with a U.S. citizen in a foreign country.

(5) **Relationship.**—Met one of the following tests:

(a) Was related to you in one of the following ways (if you file jointly, the dependent can be related to either you or your spouse)—

Child	Stepbrother	Daughter-in-law
Stepchild	Stepsister	If related by blood:
Mother	Stepmother	Uncle
Father	Stepfather	Aunt
Grandparent	Mother-in-law	Nephew
Brother	Father-in-law	Niece
Sister	Brother-in-law	
Grandchild	Sister-in-law	
	Son-in-law	

(b) Was a person who lived in your home as a member of your family for the whole year.

Meaning of Support.—Support includes things like food, a place to live, clothes, medical and dental care, and education.

Generally in figuring support, you use the actual cost of these things. But if you provide a place for the dependent to live, include it at fair rental value.

Support **DOES NOT** include things like purchase of an automobile, furniture or appliances, income and social security taxes, premiums for life insurance or funeral expenses for a deceased dependent.

In figuring who furnished over half of a dependent's support, include the dependent's own money used for his or her support, even if his or her money was not taxable. For example, include social security benefits, but if your child was a student, do not include amounts he or she received as scholarships.

¹ Child includes:

Your son, daughter, stepson, stepdaughter.

A child who lived in your home as a member of your family if placed with you by an authorized placement agency for legal adoption.

A foster child who lived in your home as a member of your family for the whole year.

Student Dependent.—Even if your child had income of \$750 or more, you can claim him or her as a dependent if he or she was a full-time student and met tests (2), (3), and (4) on this page.

To qualify as a student, your child had to meet one of the following tests:

(1) Was enrolled as a full-time student at an educational institution² during any 5 months of 1976, or

(2) took a full-time, on-farm training course during any 5 months of 1976. (The course had to be given by an educational institution² or a State, county, or local government agency.)

For more information, obtain **Publication 501, Your Exemptions and Exemptions for Dependents.**

Children of Divorced or Separated Parents.—In most cases, the parent who has custody of the child for the greater part of the year can take the exemption. But there are exceptions. The parent who does NOT have custody (or who has the child for the shorter time), may take the exemption if:

(1) that parent contributed at least \$600 toward the child's support during 1976, and the decree of divorce or separate maintenance (or a written agreement between the parents) states he or she can take the exemption, or

(2) that parent contributed \$1,200 or more for child support during 1976 (regardless of how many children), and the parent having custody cannot prove that he or she contributed more than the other parent contributed.

Note: For purpose of determining the amount for child support, the parent who has remarried and has custody may count the support furnished by the new spouse.

Dependent Supported by Two or More Taxpayers.—If two or more taxpayers supported a person and no one gave more than half the support, obtain **Form 2120.**

Birth or Death of Dependent.—Take a \$750 exemption for a dependent who died or was born during 1976 if he or she met the tests for a dependent for the time he or she lived.

Line 8—Presidential Election Campaign Fund.—You may designate \$1 of your tax to the fund by checking the "Yes" box on line 8. On a joint return, the election to designate or not designate is available to both spouses. Both may elect to designate \$1 each for a total of \$2. Both may elect not to designate. One may elect to designate \$1 and the other choose not to. If you check the "Yes" box(es), it will not increase your tax or reduce your refund.

Note: If you check a "Yes" box, you may not change that designation after a return is filed. However, if you check a "No" box but after you file your return you wish to designate \$1, you may change your designation to "Yes" by filing an amended return on or before December 31, 1978. You may use **Form 1040X, Amended U.S. Individual Income Tax Return.**

² Educational institution means a school that has a regular teaching staff, course of study, and body of students in attendance. It includes elementary schools, junior and senior high schools, colleges, universities, technical and mechanical schools. It also includes a night school in which the student is enrolled for the number of hours or classes that is considered full-time attendance at a similar day school. It does not include on-the-job training courses, correspondence schools, etc.

What Income To Report

Examples of Income You Must Report.—

Wages including employer supplemental unemployment benefits, salaries, bonuses, commissions, fees, and tips.

Dividends.

Earned income from sources outside U.S. (See **Form 2555** and note below.)

Earnings (interest) from savings and loan associations, mutual savings banks, credit unions, etc.

Interest on tax refunds.

Interest on bank deposits, bonds, notes.

Interest on U.S. Savings Bonds.

Interest on arbitrage bonds issued after Oct. 9, 1969, by State and local governments.

Profits from businesses and professions. Your share of profits from partnerships and small business corporations.

Pensions, annuities, endowments, including lump-sum distributions.

Supplemental annuities under the Railroad Retirement Act (but not regular Railroad Retirement Act benefits).

Profits from the sale or exchange of real estate, securities, or other property.

Sale of personal residence. (See Instructions for Schedule D.)

Recapture of depreciation on disposition of depreciable residential real estate and other property. (See Instructions for **Form 4797.**)

Recapture of intangible drilling and development costs of oil and gas properties. (See Instructions for **Form 4797.**)

Rents and royalties.

Your share of estate or trust income, including accumulation distribution from trusts.

Alimony, separate maintenance or support payments received from and deductible by your spouse or a former spouse.

Prizes and awards (contests, raffles, etc.). Refunds of State and local taxes (principal amounts) if they were deducted in a prior year and resulted in tax benefits.

Fees received for jury duty and precinct election board duty.

Fees received as an Executor, Administrator, or Director.

Embezzled or other illegal income.

Note: If you were a bona fide resident of a foreign country for an uninterrupted period of one year or more, or were physically present in a foreign country for a total of at least 510 days during any period of 18 consecutive months, you can exclude up to \$15,000 of your earned income from foreign sources by filing **Form 2555**. However, if you elect not to exclude such earned income, attach a statement to your timely filed return stating that you elect not to have the exclusion apply. Once made the election cannot be changed except with consent of the Commissioner.

Examples of Income You Do Not Report.—Disability retirement payments and other benefits paid by the Veterans Administration.

Dividends on veterans' insurance.

Life insurance sums received at a person's death.

Workmen's compensation, insurance, damages, etc., for injury or sickness.

Interest on certain State and municipal bonds.

Federal social security benefits.

Gifts, money or other property you inherited or that was willed to you.

Insurance repayments that were more than the cost of your normal living expenses if you lost the use of your home because of fire or other casualty. Repayments of the amount you spent for normal living expenses must be reported as income.

Line 9—Wages, Salaries, Tips, etc.—Show the total of all wages, salaries, fees, commissions, tips, bonuses, and other amounts your employers paid you before they took out for taxes, insurance, etc. Include in this total:

(1) The amount shown on Form W-2 in the box "Wages, Tips and Other Compensation" in 1976.

(2) Tips you did not report to your employer (Show any social security tax due on these tips on line 59—instructions for this are on page 12).

(3) Wages you received but do not have a Form W-2 for.

(4) Certain disability retirement income if you are under age 65. (See instructions for Schedule E under "Disability Pension and Annuity Payments.")

(5) Fair market value of meals and living quarters if given by your employer as a matter of your choice and not for your employer's convenience. If your employer provided meals where you worked for your employer's convenience, do not report their value. Do not report the value of living quarters if you had to accept them as a condition of employment.

(6) Strike and lockout benefits paid by a union from union dues, including both cash and the fair market value of goods received, unless the facts clearly show that such benefits were intended as a gift.

Obtain **Publication 525**, Taxable Income and Nontaxable Income, for more information on reporting income received in the form of goods, property, meals, stock options, etc.

If your employer paid you more than you spent for business expenses, see the instructions for Reporting Deductions and Excess Payments on page 11.

Line 10a—Dividends.—For explanation of dividend income, see instructions for Schedule B on page 16. If you received \$400 or less in dividends and other distributions, show the amount after subtracting nontaxable distributions and capital gain distributions, on line 10a. You do not need to list them on a separate schedule.

If you received more than \$400, fill in Schedule B and list names of all payers and amounts received. The note below tells you whether you need to complete Schedule D. Show on Form 1040, line 10a, the total dividends received (this is gross dividends less capital gain distributions and any nontaxable distributions).

Note: If you received capital gain distributions and do not need Schedule D to report any other gains or losses or to figure the alternative tax, do not fill in that schedule. Instead, show 50% of your capital gain distributions on Form 1040, line 30b.

Line 10b—Exclusion.—For explanation of dividends exclusion see instructions on page 16.

Line 11—Interest income.—For explanation of interest income, see page 16. If you received \$400 or less in interest, show the total amount on this line. You do not need to fill in a separate schedule.

If you received over \$400, fill in Schedule B and list names of all payers and amounts received. Then show the total amount on Form 1040, line 11.

Line 15b—Disability Income Exclusion (Sick Pay).—Before 1976, an employee was able to take a "sick pay" exclusion when the employee was absent from work on account of sickness or injury. The new "disability income exclusion" applies ONLY IF you are under age 65, have not

attained mandatory retirement age at the beginning of your taxable year, and were permanently and totally disabled when you retired (or were permanently and totally disabled on January 1, 1976, if you retired before that date on disability or under circumstances which entitled you to retire on disability). If you qualify, you may be able to exclude up to \$100 a week of your pension, or you may elect not to exclude your disability income and treat it as a pension or annuity. Once made, this election cannot be changed.

On a return where one taxpayer is entitled to the disability income exclusion, the maximum exclusion is \$5,200. On a joint return where both spouses are entitled to the disability income exclusion, the maximum exclusion is \$10,400.

You must reduce the disability income exclusion by the excess of your adjusted gross income before the exclusion (line 15a) over \$15,000. On a return where only one taxpayer is entitled to the maximum disability income exclusion, the exclusion would be phased out entirely if the amount on Form 1040, line 15a, is \$20,200 or more. On a joint return where both spouses are entitled to the maximum disability income exclusion, the exclusion would be phased out entirely if the amount on Form 1040, line 15a, is \$25,400 or more.

For information on how to figure your exclusion or to make the election not to claim your exclusion, obtain **Form 2440** and **Publication 522**, Tax Information on Disability Payments.

Enter the amount of your disability income exclusion on line 15b and attach Form 2440.

Tax—Credits—Payments

Should You Use the Standard Deduction or Itemize Your Deductions?

You must decide whether to take the standard deduction or to itemize your actual deductions for charitable contributions, medical expenses, interest, taxes, etc. Because the standard deduction varies at different income levels, it will generally be helpful to follow these guidelines to help you determine whether to use the standard deduction or itemize.

If you are:

▶ Married filing jointly or a qualifying widow(er) with dependent child, you should itemize deductions if your income on line 43 of Form 1040 is:

- less than \$13,125 and your itemized deductions total more than \$2,100.
- between \$13,125 and \$17,500 and your itemized deductions total more than 16% of line 43.
- over \$17,500 and your itemized deductions total more than \$2,800.

▶ Married filing separately:

- Divide the dollar amounts specified for joint returns in half and be sure to use only the total of your own deductions.

Caution: If one spouse itemizes deductions to figure tax, both must itemize deductions.

If you do not itemize deductions, choose either the low-income allowance (\$1,050) or percentage standard deduction (16% of line 43 but not more than \$1,400). But if one uses the percentage standard deduction, both must use it.

▶ Single or Unmarried Head of Household, you should itemize deductions if your income on line 43 of Form 1040 is:

- less than \$10,625 and your itemized deductions total more than \$1,700.

- between \$10,625 and \$15,000 and your itemized deductions total more than 16% of line 43.

- over \$15,000 and your itemized deductions total more than \$2,400.

▶ Dual-Status Alien, you may have to itemize deductions. See "Dual-Status Tax Year" instructions on page 4.

Line 16—Tax.—

How to Figure Your Tax if You Itemize Deductions

Fill in Schedule A, check the box on line 44a, and enter your total deductions on line 44. Fill in lines 45, 46, and 47.

If line 47 is \$20,000 or less, find your tax in Tax Table and enter tax on line 16.

If line 47 is more than \$20,000, use Tax Rate Schedule X, Y, or Z to figure your tax and enter tax on line 16.

How to Figure Your Tax if You Take the Standard Deduction

Check the box on line 44b and enter on line 44 the appropriate amount you determined for your filing status.

▶ If you checked the box on line 2 or 5 and line 43 is:

- Less than \$13,125, enter \$2,100.
- \$13,125 or more, but less than \$17,500, enter 16% of line 43.
- \$17,500 or more, enter \$2,800.

▶ If you checked the box on line 1 or 4 and line 43 is:

- Less than \$10,625, enter \$1,700.
- \$10,625 or more, but less than \$15,000, enter 16% of line 43.
- \$15,000 or more, enter \$2,400.

▶ If you checked the box on line 3 and line 43 is:

- Less than \$6,562.50, enter \$1,050.
- \$6,562.50 or more, but less than \$8,750, enter 16% of line 43.
- \$8,750 or more, enter \$1,400.

Fill in lines 45, 46, and 47. (If you checked the box on line 43 and did not itemize deductions, see Substitute Instruction below.)

If line 47 is \$20,000 or less, find your tax in Tax Table and enter tax on line 16.

If line 47 is more than \$20,000, use Tax Rate Schedule X, Y, or Z to figure your tax and enter tax on line 16.

Substitute Instructions if You Checked the Box on Line 43 and Did Not Itemize Deductions

If you can be claimed as a dependent on your parent's return and line 43 includes income other than earned income (see "Earned Income" on this page) and if you do not itemize deductions, substitute the following instructions for line 44b.

Check the box on line 44b and enter on line 44 the larger of (1) or (2):

- (1) 16% of that part of line 43 that is attributable to earned income but not more than \$2,400 if single, or \$1,400 if married filing separately, or
- (2) \$1,700 if single, or \$1,050 if married filing separately, but no more than your earned income included in line 43.

"Earned income" means wages, salaries, professional fees, etc., for personal services rendered. It does not include compensation for your services that was a distribution of earnings and profits other than a reasonable allowance for your work for a corporation. If you were engaged in a business in which both personal services and capital were material income-producing factors, consider as earned income for personal services rendered, an amount not in excess of 30% of your share of net profits of the business.

Other Ways to Figure Your Tax for Line 16

Schedule G, Income Averaging.—It may be advantageous to use the "averaging method" if after subtracting \$3,000 from your 1976 taxable income (line 47), the balance is over 30 percent of the total of your taxable income for the last four years (1972 through 1975). If you use this method, fill in Schedule G. For more information, obtain **Publication 506, Computing Your Tax Under the Income Averaging Method.**

Schedule D, Alternative Tax.—It may be advantageous to use the alternative tax if you have a net long-term capital gain, or if your net long-term capital gain was more than your net short-term capital loss. See **Alternative Tax Computation** on Schedule D. If you use this method, fill in Schedule D.

Form 4726, Maximum Tax on Earned Income.—The tax on earned taxable income is limited to a maximum rate of 50 percent. Obtain **Form 4726** for more information if your earned taxable income was over:

- \$38,000 and you are single,
- \$52,000 and you are married filing jointly or are a qualifying widow(er) with dependent child, or
- \$38,000 and you claim unmarried head of household status.

Form 2555, Exemption of Income Earned Abroad.—If you decided to exclude earned income from sources outside the United States, you must figure your tax on Form 2555.

Additional Taxes to be Included in Line 16

Include in amount on line 16 any partial tax from:

Form 4970, Tax on Accumulation Distribution of Trusts,
Form 4972, Special 10-Year Averaging Method,

Form 5544, Multiple Recipient Special 10-Year Averaging Method, **OR**

Form 5405, Part II, Recapture of Credit for Purchase or Construction of New Principal Residence.

Line 17c—General Tax Credit.—Reduce your tax shown on line 16 by the greater of (1) 35 times the number of exemptions shown on line 6d or (2) 2% of your taxable income (line 47) but not more than \$180 (\$90, if married, filing separately).

Enter on line 17c the amount from line 17a or line 17b, whichever is greater. **Note:** If you show 6 or more exemptions on line 6d, the amount on line 17a will be greater.

Caution: Married persons filing separate returns may choose the amount on either line 17a or line 17b. But if one uses line 17b (2% of line 47, limited to \$90) both must use it.

Line 23a—Federal Income Tax Withheld.—Enter the total income tax withheld as shown on your Forms W-2 or W-2P.

Line 23b—Estimated Tax Payments.—Enter on this line any payments you made on your estimated Federal income tax for 1976.

If you and your spouse filed a joint declaration of estimated tax for 1976 but decide to file separate income tax returns for 1976, either of you can claim all the estimated tax paid. Or, you can each claim part in whatever amounts you agree to. Be sure to show the social security numbers of both on the separate returns.

If you and your spouse filed separate estimated tax declarations for 1976 but decide to file a joint income tax return

for 1976, enter on this line the total of the amounts paid on your separate declarations. Be sure to show both social security numbers on your joint return.

Follow the above instructions even if your spouse died.

If you were divorced during 1976 and you filed a joint Form 1040-ES (Estimated Tax Declaration) with your former spouse, please enter your former spouse's social security number in the spouse's social security box on your return. Also, enter in the upper right corner of the return, near the boxes for the social security numbers, "DIV." If you were divorced and remarried in 1976, enter your present spouse's social security number in the box and enter "DIV." and your former spouse's social security number in the upper right corner of the return near the boxes.

Line 23d—Extension of Time to File 1976 Return.—If you filed an application to request an automatic 2-month extension of time to file Form 1040 for 1976, enter the amount paid with Form 4868 on this line.

Line 25—Balance Due.—In most cases, people who have income tax withheld from their wages will find that the amount withheld will be fairly close to their tax for the year. Sometimes it is not, and this is more likely to happen if both you and your spouse worked.

If you find that you need more income tax withheld for 1977, you can file a new Form W-4 or Form W-4P. Or you can ask your employer to withhold more money. If you prefer, you can file a Declaration of Estimated Tax on Form 1040-ES and make installment payments. For more information, obtain **Publication 505, Tax Withholding and Declaration of Estimated Tax.**

Penalties and Interest

Avoid penalties and interest by correctly filing and paying tax when due. The law provides a penalty of from 5 percent to 25 percent of the tax for late filing unless you can show reasonable cause for the delay. If you file a return late, send a full explanation with your return.

Penalties are also provided for late payment of tax unless you can show reasonable cause for the delay.

Taxes Not Paid When Due.—The penalty for failure to pay taxes when due is 1/2 of 1 percent of the unpaid amount for each month or part of a month it remains unpaid—up to 25 percent of the unpaid amount. The penalty applies to any unpaid tax shown on a return. It also applies to any portion of additional tax shown on a bill if it is not paid within 10 days from the date of the bill. This penalty is in addition to the applicable interest charge on late payments.

Penalty for Not Paying Enough Tax During the Year.—If you underpaid any installment of your 1976 estimated tax liability by more than 20 percent (33 1/3 percent for farmers and fishermen), you may owe a penalty unless you meet one or more of the exceptions explained on Form 2210 (Form 2210F for farmers and fishermen). Attach this form to your return to show how you figured the penalty or which exceptions you believe you meet.

If you attach Form 2210 or 2210F, check the box between lines 25 and 26. If you owe a penalty, show the amount in the bottom margin on page 1 of Form 1040 and write "Penalty—estimated tax." If you owe tax on line 25, include the penalty amount in with your total. Or, if you are due a refund, subtract the penalty amount from overpayment on line 26.

Line 28—Overpayments Credited to 1977 Estimated Tax.—We will apply amounts you want credited to estimated tax to an account under your social security number, unless you attach a request to apply it to your spouse's account. The request should include the social security number of your spouse if it is not shown on the return.

Declaration of Estimated Tax

In general, a declaration is not required to be filed if you expect that your 1977 Form 1040 will show (1) a tax refund, **OR** (2) a tax balance due to be paid to IRS of less than \$100.

Citizens of the United States or residents of the United States, Puerto Rico, Virgin Islands, Guam and American Samoa must make a declaration of estimated tax if their total estimated tax is \$100 or more and they:

(1) Can reasonably expect to receive more than \$500 from sources other than wages subject to withholding; or,

(2) Can reasonably expect gross income to exceed—

- (a) \$20,000 for a single individual, a head of a household, or a widow or widower entitled to the special tax rates;
- (b) \$20,000 for a married individual entitled to file a joint declaration with spouse, but only if the spouse has not received wages for the taxable year;
- (c) \$20,000 for a married individual living apart from spouse as described on page 7;
- (d) \$10,000 for a married individual entitled to file a joint declaration with spouse, but only if both spouses received wages for the taxable year;
- (e) \$5,000 for a married individual not entitled to file a joint declaration with spouse.

See Form 1040-ES for details.

Instructions for Page 2 of Form 1040

PART I.—Income Other Than Wages, Dividends, and Interest

Line 30b—50% of Capital Gain Distributions.—If you do not need Schedule D to report any other gains or losses or to figure the alternative tax, do not fill in that schedule. Instead, show 50% of your capital gain distributions on line 30b.

Line 32b—Fully Taxable Pensions and Annuities.—See Instructions for Schedule E for information on pensions and annuities.

Use this line to report: (1) Pensions and annuities if you paid no part of their cost. (2) Military retirement pay from Form W-2P. (3) Amounts received as annuity under the special rule (see Instructions for Schedule E) if you recovered your entire cost before January 1, 1976.

Line 34—State Income Tax Refunds.—Show only that part of refund of State income tax attributable to itemized deductions taken in a prior year that resulted in a Federal tax benefit. Do not offset this amount against your deduction for current year taxes.

Line 35—Alimony Received.—Show amounts you received as alimony or separate maintenance. For more information, obtain **Publication 504, Tax Information for Divorced or Separated Individuals.**

Line 36—Other.—Use this line to report and tell the source of any income you cannot find a place for on your return or other schedules. Include prizes, awards, and amounts you recovered for bad debts, medical expenses or other items that reduced your tax in a prior year.

Also you must report gross lottery and gambling winnings as income on line 36. Lottery and gambling losses can be taken as an itemized deduction only on Schedule A. However, such losses are limited to the amount of winnings reported.

Generally, self-employment income must be reported on Schedule C (Form 1040) or Schedule F (Form 1040). However, if you received self-employment income such as directors' fees and you did not incur any expenses with respect to this income, you may enter the total amounts received here and on Schedule SE (Form 1040), line 5(e).

Net Operating Loss.—If you lost money in a trade or business in 1976, you can subtract the loss from your 1976 income. (The loss can also be from a personal casualty or theft loss or from selling or disposing of real or depreciable property used in your trade or business.)

If your losses were more than your income, the difference may result in a "net operating loss." Generally, you can use it to reduce your income for the three years before 1976 and the seven years, after, **OR YOU MAY ELECT** to use it to reduce your income for the seven following years. If you decide to carry back the loss and are due a refund from the "carryback," you may use Form 1045 to get a quick refund, **BUT** if you elect to carry the loss forward instead, attach a statement to this effect on a timely filed return (including extensions). If you make such an election for 1976, it cannot be changed later.

If you had a loss in a prior year to carry forward to 1976, enter it as a "minus" figure on line 36. Attach a separate sheet showing how you figured the amount.

PART II.—Adjustments to Income

Line 38—Moving Expense.—Employees, including new employees, and self-employed persons, including partners, can deduct certain moving expenses. The move had to be in connection with your job or business. The expenses you can deduct include the cost of moving your family, furniture and other household goods, and personal belongings. You can also deduct meals and lodging while traveling to your new home.

Up to a certain amount, you can also deduct for: (1) Travel, meals, and lodging for househunting trips you made after getting the job and before you moved. (2) Meals and lodging while in temporary quarters in the general area of your new place of work, for up to 30 days after you got the job. (3) Expenses for selling, buying, or leasing your new or old home.

For more information and special rules applicable to military personnel, obtain **Form 3903** and **Publication 521**, Tax Information on Moving Expenses.

If you find you can deduct moving expenses, fill in Form 3903. Also, include on Form 1040, line 9, all amounts you were paid or repaid for moving expenses. (If you were employed, these amounts should be included on Form 4782 and in total wages, tips and other compensation on the Form W-2 your employer gave you.) Then show your allowable expenses on line 38.

Line 39—Employee Business Expenses (and Employer Payments).—

Deductible Expenses and Excess Payments.—You can deduct the following expenses that were not paid by your employer.

(1) **Travel and Transportation.**—You can deduct bus, taxi, plane, or train fares or the cost of using your car in your work.

If you use your own car for business reasons, you can deduct what it cost you for business use. Instead of figuring your actual expenses such as gas, oil, repairs, license tags, insurance, and depreciation, you can take a fixed mileage rate.

This is figured at 15 cents a mile for the first 15,000 miles and 10 cents for each mile over 15,000. Add to this amount your parking fees and tolls.

For automobiles that have been or are considered fully depreciated, the standard mileage rate is 10 cents a mile for all business mileage.

You can change methods of figuring your cost from year to year. But you cannot change to the fixed mileage rate if you claimed depreciation and did not use the straight line method, or if you claimed additional first-year depreciation.

(2) **Meals and Lodging.**—You can deduct these if you were temporarily away on business at least overnight from the general area of your main place of work. You cannot deduct the cost of meals on daily trips where you did not need to sleep or rest.

(3) **Outside Salesperson.**—In addition to the above, an outside salesperson can generally deduct other expenses necessary in sales work. For example, selling expenses, stationery, and postage. An outside salesperson is one who does all selling away from employer's place of business. If your main duties are service and delivery, such as a milk driver-salesperson, you are not considered an outside salesperson.

(4) **Other Business Expenses.**—If you itemize deductions on Schedule A, you can also deduct other business expenses under the heading "Miscellaneous deductions." Examples of these expenses are dues to unions and professional organizations and the cost of tools, materials, etc., that your employer did not pay for.

New limitations apply to deductions relating to the use of your home for business purposes. Under these rules, you must use a portion of your home as an office exclusively on a regular basis in connection with your employer's trade or business and for the convenience of your employer to be able to deduct the expenses allocable to that portion.

If you paid part of an expense and your employer paid part, you can deduct the amount you paid. If your employer paid you more than you spent, report the difference as income. (See instructions for Reporting Deductions and Excess Payments on this page.)

If you claim a deduction for business expenses, attach **Form 2106** showing the following: (a) The total of all amounts received from or charged to your employer and nature of your occupation. (b) The amount of your business expenses broken down into broad subjects. (c) The number of days away from home on business.

Even if you do not claim a deduction for your business expenses, you must attach the above information to your return unless you were required to, and did make

a satisfactory accounting of them to your employer.

You are considered to have made a satisfactory accounting if:

(a) You received either a daily allowance of no more than \$44 instead of actual living expenses or the maximum per diem rate authorized to be paid by the Federal Government in the locality in which the travel is performed, or a mileage allowance of no more than 15 cents a mile. However, an employer may grant an additional allowance for parking fees and tolls attributable to the traveling and transportation expenses as separate items.

(b) Your expenses were necessary to carry out your employer's trade or business, and you gave your employer proof of the time, place, and business reason of the travel.

For more information, obtain **Publication 463**, Travel, Entertainment, and Gift Expenses.

Reporting Deductions and Excess Payments.—Report expenses and payments as follows.

(1) If your employer paid you more than you spent, report the difference on line 36, under "Other."

(2) If you spent more than your employer paid you for travel and transportation, meals and lodging, and outside salesperson expenses, you can deduct the difference on line 39. If you itemize deductions and had other business expenses your employer did not pay for, you can deduct them under "Miscellaneous deductions" on line 32 of Schedule A.

(3) If your expenses equaled the payments you received (or were more than the payments but you do not want to claim a deduction for the difference), write on the bottom margin of page 2, Form 1040, "Employer payments were not more than my business expenses."

Note: If your Form W-2 includes amounts your employer paid you for business expenses, attach Form 2106. (See instructions for Deductible Expenses and Excess Payments.) Include your total expenses on line 39.

Lines 40a and 40b—Payments to a Retirement Plan or Arrangement.—To support deductions, file the following applicable forms.

(1) **Line 40a**—Enter the allowable deduction as shown on Form 5329, Part III. Married persons, both of whom qualify for the deduction, and who file a joint return, should attach a Form 5329 for each spouse and enter the combined deductions on line 40a.

Individuals who have an individual retirement account or annuity, must attach Form 5329 whether or not a contribution was made in the year. Also, attach Form 5498 to Form 5329, except for individual retirement bonds.

Caution: If you fail to file Form 5329 by the due date, without reasonable cause, you will be subject to a penalty of \$10 a day, for each day it is not filed. The penalty cannot exceed \$5,000.

(2) **Line 40b**—Enter the allowable deduction for contributions to your Keogh (H.R. 10) plan.

Sole proprietors who have Keogh (H.R. 10) plans should file Form 5500 if there are 100 or more participants in the plan, or Form 5500-K if there are fewer than 100 participants in the plan.

Partners are not required to file returns for Keogh plans in which they participate. However, partnerships are required to file Form 5500 if there are 100 or more partici-

pants in the plan, Form 5500-C if there are fewer than 100 participants in the plan none of whom is an owner-employee, or Form 5500-K if there are fewer than 100 participants in the plan and at least one participant is an owner-employee.

Forms 5500, 5500-C and 5500-K with attachments, if any, should be filed on or before the last day of the seventh month following the close of your taxable year. Do not attach any of the 5500 series forms to your Form 1040 or 1065.

Line 41—Forfeited Interest Penalty for Premature Withdrawal.—You can deduct a forfeited interest penalty for premature withdrawal from a time savings account on this line. Enter the amount of forfeiture shown on your Form 1099-INT here. Note: Be sure to include the gross amount of 1976 interest income in line 11.

PART III.—Tax Computation

See instructions for line 16 on page 9.

PART IV.—Credits

Line 48—Credit for the Elderly.—A new expanded and simplified credit for the elderly has replaced the former more complex retirement income credit.

You may be able to claim this credit and reduce your tax by as much as \$375 (if single), or \$562.50 (if married filing jointly), if you are:

- (1) Age 65 or older, OR
- (2) Under age 65 and retired under a public retirement system.

To be eligible for this credit, you no longer have to meet the income requirement of having received over \$600 of earned income during each of any 10 years before this year.

For more information, see instructions for Schedules R and RP.

Line 49—Credit for Child Care Expenses.—Certain payments made for child and dependent care may now be claimed as a credit against tax instead of as an itemized deduction.

If you maintain a household that included a child under age 15 or a dependent or spouse incapable of self-care, you may be allowed a 20% credit for employment related expenses. These expenses must have been paid during the taxable year in order to enable you to work either full or part time.

For detailed information, see the instructions for Form 2441 on page 17.

Line 50—Investment Credit.—For conditions under which you can take an investment credit, obtain Form 3468.

Line 51—Foreign Tax Credit.—If you paid income tax to a foreign country or U.S. possession, obtain Form 1116 to see if you can claim a credit.

Line 52—Credit for Contributions to Candidates for Public Office, etc.—You may claim a tax credit here or an itemized deduction on Schedule A, line 32, but you cannot claim both, for contributions to candidates for public office and political committees and to newsletter funds of candidates and elected public officials. Publication 585, Voluntary Tax Methods to Help Finance Political Campaigns, explains the circumstances under which a deduction or credit for a contribution is more advantageous.

If you elect to claim a credit, the amount of the credit is one-half of the political contributions paid, but not more than \$25 (\$50

if married and filing a joint return). Do not enter more than the amount on line 18 reduced by the amount of credits on lines 48, 50, and 51. Make a side calculation before you enter the credit here.

Line 53—Credit for Wages Paid or Incurred in Work Incentive (WIN) Program.—Business employers may claim a credit of 20% of the salaries and wages paid or incurred to employees hired under a Work Incentive (WIN) Program. The credit is allowed for salaries and wages paid or incurred in the first 12 months of employment.

Employers may also claim a credit of 20% of salaries and wages paid for business or nonbusiness employment of certain Federal welfare recipients. For nonbusiness employers, this credit is limited to \$1,000 for each employee. See Form 4874.

Credit for Purchase of New Principal Residence.—You may be able to claim a credit of 5% of the purchase price of your new principal residence that was constructed or being constructed before March 26, 1975, which was acquired and occupied after March 12, 1975, and before January 1, 1977, and which was acquired under a binding contract entered into before January 1, 1976. The maximum credit is \$2,000. See Form 5405. Include the amount of credit from Form 5405, in your total for line 54. On the dotted line to the left of the line 54 entry space, write "5405 Credit," and show the amount.

PART V.—Other Taxes

Line 55—Tax from Recomputing Prior Year Investment Credit.—Enter the difference between the credit taken in a prior year and the credit you refigured due to disposing of the property early. Attach Form 4255.

Line 56—Minimum Tax.—More people will be liable for the minimum tax this year because the new law added new tax preference items, increased the minimum tax rate from 10 percent to 15 percent, and reduced the minimum tax exemption from \$30,000 (\$15,000 if married filing separately) plus the regular income taxes for the year, to the greater of \$10,000 (\$5,000 if married filing separately) or one-half of the regular income taxes for the year.

The new tax preference items are (1) excess itemized deductions (generally the amount by which your itemized deductions as adjusted exceed 60 percent of your adjusted gross income) and (2) excess intangible drilling and development costs paid or incurred in connection with certain oil and gas wells.

Other tax preference items are accelerated depreciation on real property and leased personal property; amortization of certified pollution control facilities, railroad rolling stock, on-the-job training facilities and child care facilities; stock options; reserve for losses on bad debts of financial institutions; depletion; and capital gains.

You must attach Form 4625 if you have items of tax preference of more than \$10,000 (\$5,000 if married filing separately), even if there is no minimum tax, OR if you have any minimum tax liability deferred from a prior taxable year until this year.

Line 57—Tax on Premature Distributions from Individual Retirement Arrangements.—Enter any tax due as shown on Form 5329, Part V.

Line 58—Self-employment Tax.—Enter amount shown on Schedule SE, line 18.

Line 59—Social Security Tax on Tip Income Not Reported To Employer.—If you

received tips (cash or charge) of \$20 or more in any month and you did not report them to your employer, you must pay the social security or railroad retirement tax on those unreported tips with your Form 1040. To determine the amount of social security tax on unreported tips for which you are liable, you must file Form 4137 with your Form 1040. Enter on line 59 (Form 1040) the amount of tax shown on line 10 (Form 4137).

To determine the amount of railroad retirement tax on unreported tips for which you are liable, contact your nearest Railroad Retirement Board office. Enter the tax as determined on line 59 and write on the dotted line to the left of the entry space for line 59 "RR tax on tips."

Be sure all your cash and charge tips, regardless of the amount, are included as income on Form 1040, line 9.

Line 60—Uncollected Employee Social Security Tax on Tips.—If you did not have sufficient wages to cover the social security or railroad retirement taxes due on tips you reported to your employer, the amount of tax due will be shown on your Form W-2. Enter that amount on line 60.

Line 61—Excess Contribution Tax on Individual Retirement Arrangements.—Enter any tax due as shown on Form 5329, Part IV.

Tax on Undistributed Individual Retirement Accounts and Annuities.—In the year you reach age 70½ and any succeeding year, you may be liable for tax on the undistributed funds in your individual retirement account or annuity if (1) you do NOT receive any distribution during the year or (2) you receive distributions which are NOT approximately equal payments over certain periods of time. Include the amount of tax from Form 5329, Part VI, in your total for line 62. On the dotted line to the left of the line 62 entry space, write "4974 Tax," and show the amount.

Tax from Recomputing a Prior Year Work Incentive (WIN) Credit.—If a WIN employee is dismissed after October 3, 1976, but within the first 90 days of employment (whether or not consecutive) or before the end of the 90th calendar day after the day in which such employee completes 90 days of employment, you must repay (with certain exceptions) any tax credit previously taken on the salaries and wages paid or incurred to that employee. However, if a WIN employee was dismissed before October 4, 1976, substitute "12 months" for the above "90 day" term. See Form 4874.

The tax from recomputing a prior year (WIN) credit may not be offset against the current year's (WIN) credit. Include this amount of tax in your total for line 62. On the dotted line to the left of the line 62 entry space, write "WIN Tax," and show the amount.

Tax on Premature or Excess Distributions from a Retirement Plan.—If you are or were an owner-employee and received income resulting from a premature or excessive distribution from a Keogh (H.R. 10) plan or trust, you are subject to a 10 percent additional tax. Enter any additional tax due above the line 55 entry space and be sure to include it in the total for line 62. Also write "72(m)(5) Tax" to the left of the entry and attach a statement showing computation.

A distribution is premature if received

by an owner-employee before attaining the age of 59½ or becoming disabled. If you received amounts in excess of the benefits provided under the plan formula, the distribution is excessive.

Excess Credits Which May be Used Against Tax on Premature Distributions from Keogh (H.R. 10) Plan.—If Form 1040, line 20 is zero, you may be able to claim the unused portion of a general tax credit, credit for the elderly, credit for child care expenses, contributions to candidates for public office credit, or the purchase of new principal residence credit against this tax. If you apply any unused credit against this tax, reduce the tax (but not below zero) by the amount of such unused credit and identify the credit(s) on a statement.

PART VI.—Other Payments

Line 63—Excess FICA, RRTA, or FICA/RRTA Tax Withheld—More Than One Employer.—

If you had more than one employer in 1976 and together they paid you more than \$15,300 in wages, too much social security (FICA) tax, railroad retirement (RRTA) tax, or combined FICA and RRTA

tax may have been taken out of your wages. If too much was withheld, you may be able to take credit for it against your income tax. Use the following steps to figure your credit. If you are filing a joint return, you have to figure this separately for you and your spouse. If you are a railroad employee and you claim the credit, attach a statement from your employer showing the amount of employee RRTA compensation and amount of RRTA tax withheld.

Step 1. (a) Add all FICA and RRTA tax withheld by employers from your wages for 1976.* Enter the total here . . .	\$ _____
(b) Add all uncollected FICA or RRTA tax on tips, if any. Enter the total here . . .	_____
Step 2. Add (a) and (b)	\$ _____
Step 3. Subtract	_____
Step 4. Enter this amount on Form 1040, line 63	895.05 \$ _____

***Note:** Do not include more than \$895.05 for any one employer. If any one employer withheld more than \$895.05, ask the employer to refund the excess to you. You cannot take credit for it on your return.

Line 64—Credit for Federal Taxes on Special Fuels, Nonhighway Gasoline and Lubricating Oil.—

Enter on this line any tax credit you can take for:

- (1) Gasoline used—
 - (a) on a farm for farming use.
 - (b) in vehicles and machines used off the highway, such as in boats and, generally, in commercial aircraft.
 - (c) in vehicles furnishing certain public transportation by land.
- (2) Lubricating oil used for any purpose other than in a highway motor vehicle.
- (3) Special fuels used—
 - (a) on a farm for farming use.
 - (b) in vehicles furnishing certain public transportation by land.
 - (c) generally, in commercial aviation or under other conditions not subject to tax.

Attach Form 4136. For more information, obtain **Publication 225, Farmer's Tax Guide**, or **Publication 378, Federal Fuel Tax Credit or Refund for Nonhighway and Transit Users**.

Line 65—Credit for Taxes Paid by Regulated Investment Companies.—

Enter credit here. Attach **Copy B of Form 2439**.

Instructions for Schedule A (Form 1040)

Itemized Deductions

If your itemized deductions are more than 60% of line 15c of Form 1040 the excess may be considered an item of tax preference and you may be subject to the minimum tax. See **Form 4625, Computation of Minimum Tax**.

(See the instruction on page 9, "Should You Use the Standard Deduction or Itemize Your Deductions?")

Medical and Dental Expenses

If you decide to itemize your deductions, you can deduct one-half (up to \$150) of the amount you paid for medical care insurance even if you have no other medical expenses.

If you had payments for medicines, doctors, hospitals, etc., follow the step-by-step instructions in lines 1 through 10 on Schedule A. Follow these lines carefully because they show you how much you can deduct. Show the amount you paid for medicine and drugs. Subtract 1 percent of line 15c (Form 1040), (adjusted gross income) from that amount. Add the amounts on lines 4 through 6c. Subtract from the total, 3 percent of line 15c (Form 1040), (adjusted gross income).

The remainder, plus your medical care insurance on line 1, is your medical expense deduction. The one percent and three percent limitations apply in all cases, regardless of your age or the age of your spouse or other dependents.

The medical expenses can be for yourself, your spouse, or any dependent who received over half of his or her support from you, even if the dependent had income of \$750 or more.

Include all amounts you paid during 1976, but do not include amounts repaid to you, or paid to anyone else, by hospital, health or accident insurance. And be sure to include on line 5 the rest of the amount you paid for medical care insurance (the amount you could not list on line 1). Some

examples of what you can and cannot deduct are given below.

Types of Expenses You Can Deduct.—

Payments for medicines, drugs, vaccines, and vitamins your doctor told you to take, but not vitamins you take on your own just to keep healthy.

Payments to hospitals, physicians (medical doctors and osteopaths), dentists, nurses, chiropractors, podiatrists, physiotherapists, psychiatrists; psychologists and psychoanalysts (medical care only); and eye doctors or others who examine or test eyes. (If you pay someone to do both nursing and housework, you can deduct only the nursing cost.)

Payments for false teeth, eyeglasses, medical and surgical aids, arches, braces, crutches, sacroiliac belts, wheelchairs, batteries for hearing aids, orthopedic shoes, and cost and care of guide dogs, etc.

Payments for ambulance service and other travel costs necessary to get medical care. Instead of figuring amounts you spent for gas, oil, etc., for your car, you may take 7 cents a mile.

Payments for examinations, X-ray services, insulin treatment, whirlpool baths the doctor ordered, meals and lodging if part of cost for care in a hospital or similar place, hospital or medical insurance, including monthly payments for extra medical insurance under Medicare.

Types of Expenses You Cannot Deduct.—

Payments for funerals and cemetery lots, cosmetics, operations or drugs that are against the law, travel your doctor tells you to take for rest or change, life insurance policies, the .009 hospital insurance benefits tax included as part of the social security tax and withheld from wages or paid on self-employment income.

Capital expenditures are not generally deductible. For exceptions and more information obtain **Publication 502, Deduction for Medical and Dental Expenses**.

Taxes

You Can Deduct.—

State and local income taxes.
Real estate taxes.

State and local taxes on gas used in your car, boat, etc. For amount to deduct for gas used in your car, see the State Gasoline Tax Table on page 14.

General sales taxes. For amount to deduct, see the Optional State Sales Tax Tables.

The **only** sales taxes you can add to the table amount are those paid on the purchase of the following items:

- (1) A boat, airplane, home (including mobile or prefabricated) or materials **YOU** bought to build a new home if:
 - (a) the tax rate was the same as the general sales tax rate, and
 - (b) the seller stated the tax separately from the price of the item but included it in the total amount you paid.
- (2) A car or truck, unless you bought it in the District of Columbia, Vermont or West Virginia. (In these jurisdictions the deduction is limited to the sales tax paid at the general sales tax rate.)

The sales tax tables cover income up to \$19,999. (Income is: line 15c of Form 1040 plus any income you received that is not subject to tax, such as social security, veterans' and railroad retirement benefits, workmen's compensation, untaxed portion of long-term capital gains, disability income exclusion (sick pay), dividends exclusion, unemployment compensation and public assistance payments.) The steps on the next page and the examples shown explain how to figure your sales tax deduction if your income was over \$19,999.

If your income was more than \$19,999 but less than \$100,000, figure your deduction as follows:

Step 1. For the first \$19,999, find the amount for your family size in the table for your State.

Step 2. For each \$1,000 or fraction of it of income over \$19,999, but less than \$50,000, add 2 percent of the amount you determined in Step 1, above.

Step 3. For each \$1,000 or fraction of it of income over \$49,999, but less than \$100,000, add 1 percent of the amount you determined in Step 1, above.

If your income was \$100,000 or more, your deduction is 210 percent of the amount determined in Step 1, above.

Step 2. Figure this step as follows:
 $.02 \times \$184.00 = \3.68
 $\$49,999 - \$19,999 = \$30,000$
 $\$30,000 \div 1,000 = 30$
 $30 \times \$3.68 = 110.40$

Step 3. Figure this step as follows:
 $.01 \times \$184.00 = \1.84
 $\$52,500 - \$49,999 = \$2,501$
 $\$2,501 \div 1,000 = 2.501$ or 3
 $3 \times \$1.84 = 5.52$

Ohio sales tax deduction on income of \$52,500 for family of 5 **\$299.92**

this, contact an Internal Revenue office.

If you had any deductible tax other than those for lines 11 through 15 on Schedule A (such as foreign income tax), describe the tax and show the amount on line 16.

Use Schedules C, E, or F (Form 1040) to deduct business Federal taxes or other taxes paid for your business or profession.

Example 1.—Assume your income was \$27,250, you live in Ohio, and there are 5 people in your family.

Step 1. The Ohio table for income of \$19,999 and a family of 5 people shows **\$184.00**

Step 2. Figure this step as follows:
 $.02 \times \$184.00 = \3.68
 $\$27,250 - \$19,999 = \$7,251$
 $\$7,251 \div 1,000 = 7.251$ or 8
 (each \$1,000 or fraction of \$1,000 of income)
 $8 \times \$3.68 = 29.44$

Ohio sales tax deduction on income of \$27,250 for family of 5 **\$213.44**

If your records show that you paid more sales tax than the amount shown in the table, you can deduct the larger amount and not use the table. If you do not use the table, you can deduct the following taxes:

- (1) General State or local sales taxes you paid when you bought items.
 - (2) General State or local sales taxes the seller paid if seller stated the tax separately from the price of the item but included it in the total amount you paid.
 - (3) Certain State or local selective sales or excise taxes if the rates were the same as the general sales tax rates.
- Personal property taxes. If part of the amount you paid for your car tags was based on the car's value, you can deduct that part as a personal property tax. If you need more information about

Do Not Deduct.—

Federal social security tax, Federal excise taxes on your personal goods or for transportation, telephone, or gasoline. Fees for hunting and dog licenses, car inspection, or driver's licenses.

Taxes you paid for another person, water taxes, or taxes on liquor, beer, wine, cigarettes, and tobacco.

Selective sales or excise taxes (such as those on admissions, room rental, etc.) even if they are separately stated. (**Note:** If these taxes are at the same rate as the general sales tax and you do not use the sales tax tables, you can deduct them as explained.)

Taxes charged for sidewalks, front-foot benefits, or other improvements which make your property more valuable.

For information about deductions homeowners can take, obtain **Publication 588, Tax Information on Condominiums and Cooperative Apartments** and **Publication 530, Tax Information for Homeowners.**

Example 2.—Assume the same facts except that your income was \$52,500.

Step 1. Ohio sales tax table—\$19,999 income—family size 5 **\$184.00**

State Gasoline Tax Table

The following list shows the tax rate on a gallon of gasoline in each State based on information available on September 1, 1976. Find the rate for your State. Then use the table below to find how much tax

to deduct for the number of miles you drove your car. If your car had 4 cylinders or less, deduct half the table amount. If the rate for your State changed during 1976, find your deduction for the miles

you drove at each rate, and add the two amounts.

If your records show that you paid more than the amount shown in the table, you can deduct the larger amount.

Alabama 7¢	Dist. of Columbia ² 10¢	Kansas 7¢	Mississippi 9¢	North Carolina 9¢	Tennessee 7¢
Alaska 8¢	Florida 8¢	(after June 30, 8¢)	Missouri 7¢	North Dakota 7¢	Texas 5¢
Arizona 8¢	Georgia 7.5¢	Kentucky 9¢	Montana ³ 7.75¢	Ohio 7¢	Utah 7¢
Arkansas 8.5¢	Hawaii 8.5¢	Louisiana 8¢	Nebraska ⁴ 8.5¢	Oklahoma 6.58¢	Vermont 9¢
California 7¢	Idaho 8.5¢	Maine 9¢	Nevada 6¢	Oregon 7¢	Virginia 9¢
Colorado 7¢	(after June 30, 9.5¢)	Maryland 9¢	New Hampshire 9¢	Pennsylvania 9¢	Washington 9¢
Connecticut ¹ 10¢	Illinois 7.5¢	Massachusetts 8.5¢	New Jersey 8¢	Rhode Island ² 10¢	West Virginia 8.5¢
(after May 31, 11¢)	Indiana 8¢	Michigan 9¢	New Mexico 7¢	South Carolina 8¢	Wisconsin 7¢
Delaware 9¢	Iowa 7¢	Minnesota 9¢	New York 8¢	South Dakota 8¢	Wyoming 7¢
					(after Feb. 29, 8¢)

¹ Connecticut—for 10¢ rate use 2×5¢ rate—for 11¢ rate add 5¢ and 6¢ table amounts.
² District of Columbia and Rhode Island—for 10¢ rate use 2×5¢ rate.
³ Montana—for gasoline taxed at 7.75¢ use the average of the 7.5¢ and 8¢ table amounts.
⁴ Nebraska—for gasoline taxed at the special rate of 5.5¢ use the average of the 5¢ and 6¢ table amounts.

Nonbusiness Miles Driven	Tax Rate									Nonbusiness Miles Driven	Tax Rate								
	5¢	6¢	6.5¢ & 6.58¢	7¢	7.5¢	8¢	8.5¢	9¢	9.5¢		5¢	6¢	6.5¢ & 6.58¢	7¢	7.5¢	8¢	8.5¢	9¢	9.5¢
Under 3,000	\$8	\$10	\$11	\$12	\$12	\$13	\$14	\$15	\$16	10,000 to 10,999	\$43	\$52	\$56	\$61	\$65	\$69	\$74	\$78	\$82
3,000 to 3,499	13	16	17	19	20	22	23	24	26	11,000 to 11,999	48	57	62	67	71	76	81	86	90
3,500 to 3,999	16	19	20	22	23	25	26	28	29	12,000 to 12,999	52	62	67	72	77	83	88	93	98
4,000 to 4,499	18	21	23	25	26	28	30	32	33	13,000 to 13,999	56	67	73	78	84	89	95	100	106
4,500 to 4,999	20	24	26	28	29	31	33	35	37	14,000 to 14,999	60	72	78	84	90	96	102	108	114
5,000 to 5,499	22	26	28	30	33	35	37	39	41	15,000 to 15,999	64	77	83	90	96	102	109	115	122
5,500 to 5,999	24	29	31	33	36	38	40	43	45	16,000 to 16,999	68	82	89	95	102	109	116	123	130
6,000 to 6,499	26	31	34	36	39	41	44	47	49	17,000 to 17,999	72	87	94	101	108	116	123	130	137
6,500 to 6,999	28	33	36	39	42	45	47	50	53	18,000 to 18,999	76	92	99	107	115	122	130	138	145
7,000 to 7,499	30	36	39	42	45	48	51	54	57	19,000 to 19,999	81	97	105	113	121	129	137	145	153
7,500 to 7,999	32	38	42	45	48	51	54	58	61	20,000 miles*	83	99	107	116	124	132	141	149	157
8,000 to 8,499	34	41	44	48	51	55	58	61	65										
8,500 to 8,999	36	43	47	51	54	58	61	65	69										
9,000 to 9,499	38	46	50	53	57	61	65	69	73										
9,500 to 9,999	40	48	52	56	60	64	69	73	77										

*For over 20,000 miles, use table amounts for total miles driven. For example, for 25,000 miles, add the deduction for 5,000 to the deduction for 20,000 miles.

Interest Expense

Show on Schedule A only interest on nonbusiness items. Show interest paid on business items on the same schedule you use to report your business income.

Generally, a cash basis taxpayer, who in 1976 prepaid interest allocable to any period after 1976, can only deduct the

amount allocable to 1976. However, if prepayment is required by a binding contract or written loan commitment that existed on September 16, 1975 (and at all times thereafter), such prepaid interest is deductible if paid in 1976, if the deduction of such interest would not materially distort income. See **Publication 17, Your Federal Income Tax, Chapter 22.**

You Can Deduct Interest On.—

Mortgage on your home.
 Your personal note to a bank, credit union, or person, for money you borrowed.
 Life insurance loan if the interest is paid in cash.
 Taxes you paid late. Show only the interest. If the taxes are the kind you can deduct, enter them under the heading, "Taxes."

Bank credit card plan. You can deduct the finance charge as interest if no part is for service charges, loan fees, credit investigation fees, etc.

Revolving charge accounts. You may deduct the finance charge added to your revolving charge accounts by retail stores if the charges are based on your unpaid balance and computed monthly.

Personal property (cars, televisions, etc.), that you buy on the installment plan.

The limitation on the deductible amount of interest expense paid or accrued on debts related to investment property has been reduced.

The limitation for interest on indebtedness incurred after September 10, 1975 is the sum of (1) \$10,000 (\$5,000, if married and filing separately), (2) a prorated portion of net investment income and (3) the excess expenses from "net lease property." For a definition of "net lease property" and an explanation of excess expenses, see Form 4952.

The limitation for interest on indebtedness incurred prior to September 11, 1975 is the sum of (1) \$25,000 (\$12,500, if married and filing separately), (2) a prorated portion of net investment income, (3) excess expenses from "net lease property", (4) excess net long-term capital gains over net short-term capital losses from investment property, and (5) one half the amount by which the investment interest for this period exceeds (1) through (4).

Any interest not used because of these limitations may be carried forward indefinitely. Form 4952 will help you compute the limitations. If applicable, report the allowable nonbusiness interest expense which is to be treated as an itemized deduction on Schedule A, line 19.

Do Not Deduct Interest On.—

Life insurance loan if the interest is added to the loan and you report on the cash basis.

Money you borrowed to buy or carry tax-exempt securities or single-premium life insurance.

For more information on interest expenses, obtain **Publication 545**, Income Tax Deduction for Interest Expense.

Contributions

You Can Deduct Gifts To.—

Organizations operated for religious, charitable, educational, scientific, or literary purposes, or to prevent cruelty to animals and children. These include:

Churches (including assessments paid), Salvation Army, Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts, Girl Scouts, Boys Club of America, and similar organizations.

Fraternal organizations, if the gifts will be used for the above purposes, and certain cultural and veterans' organizations.

Governmental agencies that will use the gifts exclusively for public purposes, including civil defense.

Nonprofit schools, hospitals, and organizations whose main purpose is to find a cure for (or to help people who have) arthritis, asthma, birth defects, cancer, cerebral palsy, cystic fibrosis, heart disease, diabetes, hemophilia, mental ill-

ness and retardation, multiple sclerosis, muscular dystrophy, tuberculosis, etc.

You Can Also Deduct.—

Amounts you paid for your gasoline and other expenses necessary to carry out your duties as a civil defense volunteer. (Do not deduct any amounts that were repaid to you.)

Out-of-pocket expenses such as gas, oil, etc., to do volunteer work for charitable organizations. (Do not deduct any amounts that were repaid to you.) Instead of figuring what you spent for gas and oil, you can take 7 cents a mile.

In some cases, amounts you spent to take care of a student in your home under a written agreement with a charitable or educational institution.

Do Not Deduct Gifts To.—

Relatives, friends, or other persons.

Social clubs, labor unions, or chambers of commerce.

Foreign organizations, organizations operated for personal profit or organizations whose purpose is to get people to vote for new laws or changes in old laws.

Deduct what you gave in cash (checks, money orders, etc.) or property, but do not deduct the value of your time or services. If you gave property, attach a description, show the date you gave it, and (except for securities) how you figured its value. Also, for each gift valued at over \$200 and each gift of capital gain or ordinary income property:

- (1) Explain any conditions attached to the gift.
- (2) Tell how you got the property.
- (3) Show the cost or other basis of the property if you owned it less than five years, or if you must reduce the contribution by any ordinary income or capital gain that would have resulted if the property had been sold at its fair market value, and
- (4) Attach a signed copy of any appraisal. If you elect to reduce your deduction for contributions of capital gain property, indicate this and show how you figured it.

Generally, you cannot take a deduction for a transfer of a future interest in tangible personal property until the entire interest has been transferred.

Special rules apply if your contributions exceed 20% of line 15c, or if you gave gifts of appreciated property, made bargain sales to charity, or gave gifts of the use of (or rent-free use of) property. See **Publication 526**, Income Tax Deduction for Contributions, for additional information.

Casualty or Theft Losses

If you had property that was stolen or damaged by fire, storm, car accident, shipwreck, etc., you may be able to deduct your loss or part of it. In general, Schedule A can be used to report a casualty or theft loss. Personal casualty or theft losses are deductible, but you must first reduce each loss by insurance and other reimbursements paid you. Then you can claim only that part of the net loss that is more than

\$100. If you and your spouse owned the property jointly but file separate returns, you both must subtract \$100 from your part of the loss.

Casualty or theft losses of trade, business, rental, royalty, or other income-producing properties are not subject to the \$100 limitation.

If you had more than one casualty or theft loss omit lines 25 through 28 of Schedule A. On a separate sheet of paper prepare a schedule using the information on lines 25 through 29 for each loss. Add the net losses and enter the amount on Schedule A, line 29. Write in the margin to the right of line 29, "Multiple casualty/theft losses. See attachment."

You may find Form 4684, Casualties and Thefts, helpful in determining the amount of your loss, particularly if the property is over six months old. If you fill out Form 4684 omit lines 25 through 28 of Schedule A and enter the loss from Form 4684 on line 29.

For more information, obtain **Publication 547**, Tax Information on Disasters, Casualty Losses, and Thefts.

Miscellaneous Deductions

Alimony Paid.—

You can deduct periodic payments of alimony or separate maintenance made under a court decree. You can also deduct payments made under a written separation agreement entered into after August 16, 1954, or a decree for support entered into after March 1, 1954. The person who receives these payments must report them as income. Do not deduct lump sum cash or property settlements, voluntary payments not made under a court order or a written separation agreement or amounts specified as child support. For more information, obtain **Publication 504**, Tax Information for Divorced or Separated Individuals.

Union Dues.—You can deduct dues paid to unions.

Other Miscellaneous Deductions.—

Business Use of Home, Including Office Use.—New limitations apply to deductions relating to use of your home for business purposes. Generally, except for interest, taxes, and casualty losses, no deduction will be allowed with respect to a dwelling unit that you used for personal purposes during the taxable year. However, if you used a portion of your dwelling exclusively on a regular basis in connection with your employer's trade or business and for your employer's convenience, you may deduct the expenses allocable to that portion. If the use was merely appropriate and helpful, no deduction is allowable.

See instructions for Schedule E for information on deductions allowable for rental use of a dwelling used as a residence, including vacation homes.

For more information and method of computing the deduction, obtain **Publication 587**, Business Use of Your Home.

Contributions to Candidates for Public Office, etc., Itemized Deduction.—You may claim an itemized deduction on Schedule A, line 32, or a tax credit on Form 1040, line 52, but you cannot claim both, for contributions to candidates for public office and political committees and to newsletter funds of candidates and elected public officials.

If you elect to claim an itemized deduction on Schedule A, line 32, the amount of the deduction entered may not exceed \$100 (\$200 if you are married and file a joint return). Just write "political contribution" on this line (you need not identify the person or political party) next to the amount of the contribution.

See instructions for line 52, on page 12.

Expenses for Education.—The rules for reporting educational expenses are the same as those on page 11 for employee business expenses.

You can generally deduct expenses for: Education that helps you keep up or improve skills you must have in your present job, trade or business.

Education that your employer said you must have or the law or regulations say you must have, to keep your present salary or job.

Do Not Deduct Expenses For.—

Education that you need to meet the minimum educational requirements for your job, trade, or business.

Education that is part of a course of study that will lead to your getting a new trade or business.

Expenses for Child and Dependent Care Services Incurred in 1975 and Paid in 1976.—You can deduct, within certain limitations, expenses for child and dependent care services incurred in 1975 and paid in 1976, **ONLY** if you itemize your deductions.

Make the following computation for each month in which an expense was incurred in 1975 and paid in 1976. Total the allowable monthly deductions, and enter in Schedule A, line 32, and identify as "Expenses for Child and Dependent Care Services."

1 Monthly 1975 expenses incurred	\$ _____
2 Monthly limitation	400.00
3 Enter lesser of line 1 or line 2	\$ _____
4 Income reduction: Divide excess of your 1975 adjusted gross income (1975 Form 1040, line 15) over \$18,000 by 24 and enter result	_____
5 Difference, but not less than zero (line 3 less line 4)	\$ _____
6 Monthly amount deducted in 1975	_____
7 Monthly deduction allowable in 1976 (line 5 less line 6)	\$ _____

You can also deduct several other types of expenses such as:

Gambling losses, but only up to the amount you won and reported on Form 1040, line 36.

Cost of safety equipment, small tools, and supplies used in your job.

Dues to professional organizations and chambers of commerce.

Certain costs of business entertainment, subject to limitations and reporting and substantiation requirements.

Fees you paid to employment agencies to get a job.

Necessary expenses connected with producing or collecting income or for managing or protecting property held for producing income.

Note: If you work for wages or a salary, include the employee business expenses you did not claim on Form 1040, line 39.

Do Not Deduct the Cost Of going to and from work or entertaining friends.

If you need more information, see **Publication 529, Miscellaneous Deductions and Credits.**

Instructions for Schedule B (Form 1040)

If you are required to use Part I or Part II or if you had a foreign account or were a grantor of, or a transferor to a foreign trust, you must answer both questions in Part III.

PART I.—Dividends

If you received more than \$400 in gross dividends and other distributions (including capital gain dividends and nontaxable distributions), you must complete Part I and answer the questions in Part III.

Line 1—Gross Dividends and Other Distributions on Stock.—If you own stock, you must report as dividends any payments you received out of the company's earnings and profits. Usually dividends are paid in cash. But if you received merchandise or other property, you have to report its fair market value.

If you received more than \$400 in gross dividends and other distributions (including capital gain dividends and nontaxable distributions), list names of all payers and amounts received in Schedule B, line 1. Be sure to include amounts you received through nominees or other agents. List their names as payers. Also include amounts you received as a member of a partnership or beneficiary of an estate or trust.

Do Not Report the Following as Dividends.—

Mutual insurance company dividends that reduce the premiums you pay. (These are not income.)

Dividends paid by savings and loan associations, mutual savings banks, cooperative banks, and credit unions, on deposits or accounts from which you could withdraw your money. (Report these as interest.)

For more information and special rules for stock dividends, liquidations, stock rights, conversions and redemptions, obtain **Publication 550, Tax Information on Investment Income and Expenses.**

Line 3—Capital Gain Distributions.—Enter on this line all capital gain distributions. The amounts included on line 3 must also be included in Schedule B, line 1. Also see note at bottom of Schedule B.

Line 4—Nontaxable Distributions.—Enter on this line the total of nontaxable distributions (return of capital). Any amount entered on line 4 must also be included in Schedule B, line 1.

You must reduce your investment cost (or other basis) by the amount of nontaxable distributions received. Amounts received over your cost (or other basis) will be taxed as gains. These gains must be included on line 3 instead of line 4 and also reported on Schedule D.

Dividends Exclusion

You can exclude on Form 1040, line 10b, up to \$100 of dividends received from qualifying domestic corporations.

If you file a joint return and both you and your spouse had dividend income, each can exclude up to \$100 of dividends received from qualifying domestic corporations. However, neither can use any part of the \$100 exclusion not used by the other. For example, if you had \$300 in dividends, and your spouse had \$20, only \$120 may be excluded.

Taxable dividends from the following corporations do not qualify for the dividends exclusion:

- (a) Foreign corporations, including your share from a controlled foreign corporation.
- (b) So-called exempt organizations (charitable, fraternal, etc.) and exempt farmers' cooperative organizations.
- (c) Regulated investment companies, unless they have told you how much of such dividends qualify for the exclusion.
- (d) Real estate investment trusts.
- (e) Electing small business corporations to the extent such amounts are distributions out of current earnings and profits. However, for this purpose, current earnings

and profits are limited to taxable income for the year.

PART II.—Interest Income

If you receive more than \$400 in interest, you must complete Part II of Schedule B and answer the questions in Part III.

Line 7—Interest Income.—List the names of all payers and amounts received in Schedule B, line 7.

Report any interest you received or which was credited to your account so you could withdraw it. (It did not have to be entered in your passbook.)

Include Interest on the Following.—

Accounts with banks, credit unions, savings and loan associations, etc.

Tax refunds.

Notes and loans.

Bonds and debentures. Also arbitrage bonds issued after October 9, 1969, by State and local governments. But do not report interest on other State and municipal bonds and securities. If you held corporate bonds or other notes of debt originally issued at a discount after May 27, 1969, you have to include a certain portion of the discount for the part of the year you held the bond or note.

U.S. Savings Bonds. The yearly increase in the value of a bond is interest.

You can report interest on Series E bonds in either of the following ways:

(1) You can report the interest when you cash your bonds, or when the bonds reach final maturity and no longer earn interest.

(2) You can report the "yearly increase" in all bonds on your return each year. (You can change to this way of reporting at any time. But if you do so, you must report in the first year you use this method the entire increase in all bonds from the date they were issued. And then report the "yearly increase" each year afterwards.)

For more information about interest income, how to figure original issue bond discount, and rules for interest on industrial development bonds, obtain **Publica-**

tion 550, Tax Information on Investment Income and Expenses. For unstated interest obtain Publication 537, Tax Information on Installment and Deferred-Payment Sales.

PART III.—Foreign Accounts and Foreign Trusts

Do You Have an Account in a Foreign Country or were you a grantor of, or

transferor to, a foreign trust—Read the questions and check the “Yes” or “No” blocks. If you checked either of the “Yes” blocks attach Form 4683, U.S. Information Return on Foreign Bank, Securities, and Other Financial Accounts, and Foreign Trusts.

If at any time during 1976, you had an interest in or signature or other authority over a bank account, securities account,

or other financial account in a foreign country OR were a grantor of, or transferor to a foreign trust, which trust was in being during the taxable year, you must check the appropriate “Yes” block and are thereby required to complete and attach Form 4683 to your return. Check “Yes,” if you own more than 50 percent of the stock in any corporation that owns one or more foreign bank accounts.

Instructions for Form 2441

Credit for Child Care Expenses

Who May Claim the Credit.—If you maintain a household which includes as a member one or more qualifying individuals, you may be allowed a credit against your income tax. The credit is limited to 20 percent of employment-related expenses (up to certain limitations) PAID during the taxable year in order to enable you to work either full or part time for an employer or as a self-employed individual.

You will be treated as maintaining a household for any period only if you furnish over half the cost of maintaining the household for that period. If you are married during such period, you and your spouse must provide over half the maintenance cost for that period.

The expenses of maintaining a household include property taxes, mortgage interest, rent, utility charges, upkeep and repairs, property insurance, and food consumed on the premises. They do not include the cost of clothing, education, medical treatment, vacations, life insurance, and transportation.

Employment-related Expenses.—“Employment-related expenses” are those paid for the following, but only if paid to enable you to be gainfully employed:

(1) **Expenses for Household Services.**—Expenses will be considered for household services in your home if they are for the ordinary and usual services necessary for the operation of the home, and bear some relationship to the qualifying individual. Thus, payment for services of a domestic maid or cook will ordinarily be considered expenses for household services if performed at least partially for the benefit of the qualifying individual.

(2) **Expenses for the Care of a Qualifying Individual.**—Expenses will be considered for the care of one or more qualifying individuals if their main purpose was to assure that individual’s well-being and protection. Payments for food, clothing, or education are not such expenses. However, if the care provided includes expenses that cannot be separated, the full amount paid will be considered for the qualifying individual’s care. Thus, the full amount paid to a nursery school will be considered for the care of a child even though the school also furnishes lunch. Educational expenses for a child in the first or higher-grade level are not expenses for the child’s care.

Do not include services outside your household as employment related expenses for your spouse or a dependent age 15 or older. However, services outside your household are employment related expenses for a dependent who has not reached his or her 15th birthday.

Special Rules.—

(1) **Married Couples Must File Joint Returns.**—If you are married at the end of the taxable year, the credit for employ-

ment-related expenses is allowable only if you and your spouse file a joint return for the taxable year.

(2) **Marital Status.**—If you are legally separated from your spouse under a decree of divorce or of separate maintenance, you are not considered as married.

(3) **Certain Married Individuals Living Apart and Filing Separate Returns.**—If during the last 6 months of the taxable year your spouse was not a member of your household and you (i) maintained a household which was for more than one-half of the taxable year the principal place of abode of a qualifying individual, and (ii) furnished over half of the cost of maintaining such household during the taxable year, then you are not considered married for purposes of the credit.

(4) **Special Dependency Test in Case of Divorced Parents.**—A child (son, stepson, daughter, stepdaughter) whose parents are divorced, legally separated under a decree of divorce or separate maintenance, or separated under a written separation agreement, shall be treated as a qualifying individual for the parent having custody of the child for the longer period during the taxable year, provided that all of the following three conditions are met:

(a) The child must be under the age of 15 or physically or mentally incapable of self-care.

(b) The child must receive over half of his or her support during the taxable year from the parents.

(c) The child must be in the custody of one or both of the parents for more than one-half of the taxable year.

(5) **Payments to a Related Individual.**—In computing your credit, you may NOT include payments made to a relative of yours or of your spouse or to a dependent household member. For this exclusion, a relative of yours or of your spouse includes: son or daughter and their descendants; stepson or stepdaughter; brother, sister, stepbrother, stepsister; father or mother and their ancestors; stepfather, stepmother; nephew, niece, uncle, aunt; son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, sister-in-law.

Exception: Payments made to a relative listed above may also be included in computing your credit if that relative is not your dependent and the relative’s services are considered employment for social security purposes.

For social security purposes, the following services are considered employment:

(a) Services in your home if performed by your son or daughter age 21 or over, but not your spouse.

(b) Domestic service by your mother or father if (i) you have in your home a son or daughter who is under age 18 or who has a physical or mental condition requiring the personal care of an adult for at least four continuous weeks in the quar-

ter, and (ii) you are a widow (widower) or are divorced, or you have a spouse in your home who, because of a physical or mental condition, is incapable of caring for your son or daughter for at least four continuous weeks in the quarter.

(c) Services of all other relatives.

Employment-related Expense vs. Medical Expense Deduction.—If an expense qualifies as both employment-related and medical, you may treat it either way, as long as you do not use it twice. If you treat the expense as employment-related, any part of it that you cannot use because of the maximum \$2,000 (\$4,000) yearly limitation can be treated as part of your medical expenses.

If you treat the expense as medical, the part of it that is not deductible because of the 3 percent medical deduction limitation cannot be used as part of your employment-related expenses.

Use of Credit in Determining Your Withholding Allowances.—The credit for child care expenses may be used in determining your withholding allowances. By claiming your proper number of withholding allowances, you can fit the amount of tax withheld from your wages to your tax liability. For further information, obtain a Form W-4, Employee’s Withholding Allowance Certificate from your employer or an Internal Revenue Service Office.

Figuring the Credit

Line 1.—Enter in the appropriate column the name(s), and relationship of each qualifying individual for whom expenses were paid and period (months and days) each lived in your household as a qualifying individual during your taxable year. Determine on a daily basis whether an individual is a qualifying individual. A qualifying individual is:

(a) A dependent under age 15 whom you can claim as an exemption or a child meeting the special dependency test of divorced parents (see Special Rule (4)).

(b) A person who is physically or mentally incapable of self-care who you either:

- (1) are entitled to claim as an exemption; or
- (2) would be entitled to claim as an exemption except that the person had gross income of \$750 or more.

(c) Your spouse, if physically or mentally incapable of self-care.

Line 2.—Enter in: column (a) the name of the individual(s) or organization(s) to whom employment-related expenses were INCURRED, column (b) the relationship of the individual to you (if none, write none), column (c) the period during which the expense was incurred, and column (d) the amount.

"Incurred" means owed for payment, whether or not paid. However, to be allowed in computing the credit, expenses must be **PAID** during your taxable year and must be within the limitations.

Check yes or no box if you paid cash wages for a household employee who performed services of a household nature in your home. In general, if you paid cash wages of \$50 or more in a calendar quarter for household services to a person such as a cook, housekeeper, governess, maid, cleaning person, babysitter, etc., you are required to file an employment tax return. If you are not sure whether you should file an employment tax return, ask the Internal Revenue Service or obtain Form 942, Employer's Quarterly Tax Return for Household Employees.

If the employment-related household expenses benefited a qualified individual, do not allocate any part of the expenses to nonqualifying individuals.

Do **NOT** include expenses for household and dependent care services incurred in 1975 and paid in 1976 on line 2. These expenses may be deducted under other miscellaneous deductions on Schedule A (Form 1040), Itemized Deductions. For more in-

formation, see Instructions for Schedule A (Form 1040).

Line 4.—Enter lesser of line 3 or \$2,000 if you listed the name of one qualifying individual or \$4,000 if you listed the names of two or more qualifying individuals. These amounts are the dollar limits for employment-related expenses incurred during any taxable year which may be taken into account in computing the credit.

Line 5.—Enter the amount of your earned income if you are unmarried. If you are married, enter the earnings of the spouse having the smaller earned income. If your spouse is a full-time student at an educational institution or incapable of self-care, use the greater of your spouse's monthly earned income or \$166 (\$333 if two or more qualifying individuals) to determine his or her total yearly income. Use this amount to determine the lesser of your earned income or your spouse's earned income to be entered on line 5. If both you and your spouse are students or incapable of self-care, the \$166 (\$333) rule applies to only one spouse for any one month.

"Earned income" means wages, salaries, professional fees, etc., for personal

services rendered. It does not include compensation for your services that was a distribution of earnings and profits other than a reasonable allowance for your work for a corporation.

"Student" is one who was enrolled as a full-time student at an educational institution during any of 5 months during the taxable year.

"Educational institution" means a school that has a regular teaching staff, course of study, and body of students in attendance. It includes elementary schools, junior and senior high schools, colleges, universities, technical and mechanical schools. It also includes a night school in which the student is enrolled for the number of hours or classes that is considered full-time attendance at a similar day school. It does not include on-the-job training courses, correspondence schools, etc.

Lines 6 through 8.—Complete these lines as instructed on the form.

For more information, obtain **Publication 503, Child Care and Disabled Dependent Care.**

Instructions for Schedule D (Form 1040)

A. Who May File.—Use Schedule D (Form 1040) to report the sale or exchange of a capital asset as defined in Instruction B, below. In general, use Form 4797, Supplemental Schedule of Gains and Losses, instead of Schedule D to report:

(1) the sale, exchange, or involuntary conversion of trade or business property, certain depreciable and amortizable property, and certain oil and gas property;

(2) the involuntary conversion (for example, a casualty or theft) of certain capital assets; and

(3) the disposition of other noncapital assets not mentioned in (1), above. If a capital asset is involuntarily converted (for example, by reason of casualty or theft) you may use Form 4684, Casualties and Thefts, instead of completing Form 4797, Part I, Section A. You can get these forms from any Internal Revenue Service office.

B. What is a Capital Asset.—Generally, all property you own and use for personal purposes, pleasure, or investment is a capital asset. Some examples are: the home you own and live in with your family, your household furnishings, a car used for pleasure, and stocks or bonds held in your personal account.

A capital asset as defined by law is any piece of property held by a taxpayer except:

(1) stock in trade;

(2) real or personal property includible in inventory;

(3) real or personal property held for sale to customers;

(4) accounts or notes receivable acquired in the ordinary course of a trade or business for services rendered, or from the sale of any of the properties described in (1), (2), or (3), or for services rendered as an employee;

(5) depreciable property used in a trade or business (even though fully depreciated);

(6) real property used in a trade or business;

(7) a copyright, literary, musical or artistic composition, letter, or memorandum, or similar property—(a) created by

a taxpayer's personal efforts; (b) prepared or produced for a taxpayer, in the case of a letter, memorandum, or similar property; or (c) if acquired from a taxpayer described in (a) or (b) under circumstances entitling a taxpayer to the basis of the preceding owner (for example, by gift);

(8) a publication of the U.S. Government (including the Congressional Record) which is received from the U.S. Government or an agency thereof, other than by purchase at the price at which it is offered for sale to the public, and which is held by—(a) a taxpayer who so received such publication, or (b) a taxpayer in whose hands the basis of such publication is determined, for purposes of determining gain from a sale or exchange, in whole or in part by reference to the basis of such publication in the hands of a taxpayer described in (a) (this section applies only to sales, exchanges, and contributions made after October 4, 1976); and

(9) certain government obligations issued at a discount on or after March 1, 1941, payable without interest, and maturing at a fixed date not exceeding one year from date of issue.

C. Transfer of Appreciated Property to a Political Organization.—If you transfer property to a political organization and at the time of the transfer the fair market value of the property exceeds your adjusted basis, you must treat this transaction as a sale of property on the date of transfer. Report the fair market value of the property at the time of transfer as the sales price. Ordinary income or capital gains provisions will apply as if a sale actually occurred.

D. Exchange of "Like Kind" Property.—Although no gain or loss is recognized when property held for productive use in trade or business or for investment is exchanged solely for property of a "like kind" to be held either for productive use in trade or business or for investment, you must report the transaction on Schedule D or Form 4797, whichever is applicable. (This does not include property that is stock in trade or other property held pri-

marily for sale, nor stocks, bonds, notes, choses in action, certificates of trust or beneficial interest, or other securities or evidences of indebtedness or interest.)

If Schedule D is used, identify the property disposed of in column a. Enter the date of acquisition in column b and the date of exchange in column c. Write "like kind exchange" in column d and enter the adjusted basis in column e. Enter zero in column f.

E. Sale or Exchange of Capital Assets Held for Personal Use.—Gain from the sale or exchange of such property is a capital gain and should be reported either in Part I or Part II. However, loss from the sale or exchange of such property (but not necessarily involuntary conversions such as by casualty or theft) is not deductible.

F. Cost or Other Basis, as Adjusted.—In general, this means cost (or other basis as explained in the next paragraph), less applicable depreciation (allowed or allowable), amortization, depletion, etc.

You may need to use a basis other than actual cash cost if you acquired the property by bequest, gift, tax-free exchange, involuntary conversion, or wash sale of stock. If you do not use actual cash cost, attach an explanation of the basis used.

If a charitable contribution deduction is allowed by reason of a sale of property to a charitable organization, the adjusted basis for determining gain from the sale is an amount which is in the same ratio to the adjusted basis as the amount realized is to the fair market value of the property.

G. Short-term or Long-term.—When you sell or exchange a capital asset you will have either a short-term or a long-term capital gain or loss, depending on how long you held the property. (See instruction H.)

If you held the property 6 months or less, the gain or loss is short-term and you should report it in Part I.

If you held the property more than 6 months, the gain or loss is long-term and you should report it in Part II.

A nonbusiness bad debt is usually treated as a short-term capital loss. This does not apply to: (1) a debt evidenced by a corporate security with interest cou-

ons or in registered form and (2) a debt acquired in your trade or business.

H. Holding Period.—To determine whether you held property over 6 months, begin counting on the day after the day you acquired the property. The same day of each following month is the beginning of a new month, regardless of the number of days in the month before. In your computation, include the day you disposed of the property. For special rules on nontaxable exchanges, gifts of property, property you inherited or that was willed to you, obtain **Publication 544, Sales and Other Dispositions of Assets.**

I. Capital Loss Carryover.—You will have a capital loss to carry to 1976 if the amount on your 1975 Schedule D (Form 1040), line 16(a) or line 33, is larger than the capital loss you deducted from income on your 1975 Form 1040, line 29a.

If you do not have a capital loss carryover to 1976 ignore lines 4 and 12 on your 1976 Schedule D (Form 1040).

If you have a capital loss carryover from years beginning after 1969, use Form 4798, Part I, to compute the carryover to 1976. Enter the amounts determined there on Schedule D, lines 4 and 12.

If you have a capital loss carryover from years beginning before 1970, or a combination of pre-1970 and post-1969 capital losses, do this: (1) determine the capital loss carryover to 1976 on Form 4798, Part III; (2) complete Parts I and II of Schedule D (Form 1040) through line 13 to report current transactions and the amount, if any, of post-1969 capital loss carryovers; and (3) carry the amounts, if any, from Schedule D, lines 5 and 13, to Form 4798, Part IV, to determine your net capital gain or loss and your capital loss limitation for 1976 if you have a net capital loss for the year.

Also use Form 4798 to determine the amount, if any, of capital loss carryovers from 1976 to 1977 whether such losses consist of post-1969 or pre-1970 loss carryovers. Enter the amount of such loss carryovers to 1977 in the space provided on page 2 of your 1976 Schedule D (Form 1040).

J. "Taxable Income, as Adjusted".—This term is used to describe the amount on Form 1040, line 45, determined without regard to gains or losses from sales or exchanges of capital assets. When such gains and losses have been included in the amount on Form 1040, line 45, use a separate computation to arrive at the "taxable income, as adjusted." You can omit this separate computation if you know you have more than \$1,000 of taxable income (\$500 if married and filing a separate return) after excluding: (1) gains and losses from the sales and exchanges of capital assets, and (2) amounts allowed for personal and dependency exemptions.

If a separate computation is not required, enter on line 16b the loss shown on line 16a, but not more than \$1,000 (\$500 if married and filing a separate return).

K. Investment Interest Expense Deduction Adjustment.—(Note: These rules also apply if you use Form 4798 to report a pre-1970 capital loss carryover as indicated in instruction I.)

If Schedule D, line 13 (or Form 4798, Part IV, line 6) is blank or if line 13 or line 14 (or Form 4798, Part IV, line 6 or line 7) shows a loss, please disregard the rest of instruction K.

If you have investment interest expense of more than \$10,000, the amount of that

interest that you can deduct could be limited. See Form 4952 for details. If there is an entry on Form 4952, line 22; and, on Schedule D both lines 13 and 14 (or Form 4798, Part IV, lines 6 and 7) show a gain, part or all of the amount of capital gains used on Form 4952, line 22, will be treated as ordinary income for purposes of determining the 50 percent capital gain deduction or the alternative capital gain tax. The amount treated as ordinary income is the lesser of: (a) the amount on Form 4952, line 22, (b) the amount on Schedule D, line 13 (or Form 4798, Part IV, line 6), or (c) the amount on Schedule D, line 14 (or Form 4798, Part IV, line 7). Enter this amount in the margin to the right of Schedule D, line 13 (or Form 4798, Part IV, line 6), and identify it as "From Form 4952." Therefore, before determining the capital gain deduction on Schedule D, line 15a (or Form 4798, Part IV, line 8(a)), or the Alternative Tax in Schedule D, Part IV, decrease the gains on Schedule D, lines 13 and 14 (or Form 4798, Part IV, lines 6 and 7) by the amount treated as ordinary income. Enter the amount treated as an ordinary gain (shown in the margin) on Form 4797, Part II, line 8, or if Form 4797 is not used for other transactions, enter such gain on your Form 1040, line 31, and identify it as "From Form 4952."

L. Installment Sales.—If you sold personal property for more than \$1,000, or real property for any amount, you may be eligible to use the installment method to report any gain if: (1) there are no payments in the year of sale or (2) the payments in the year of sale do not exceed 30 percent of the selling price. Such sales must provide for one or more payments in each of two or more taxable years.

For the treatment of a part of the payments as "unstated interest," an installment sale worksheet, and other information; obtain **Publication 537, Tax Information on Installment and Deferred-Payment Sales**, from any Internal Revenue Service office.

M. Capital Gain Distributions.—See the instructions for Schedule B (Form 1040) on page 16.

N. Special Rules.—The following items may require special treatment: (1) transactions by a securities dealer, (2) wash sales of stock or securities, (3) bonds and other evidences of indebtedness if original issue discount is a factor, (4) certain real property subdivided for sale which may be considered a capital asset, (5) distributions received attributable to an employee pension, profit-sharing, or stock bonus plan (see Form 4972 or Form 5544), (6) gain on sale of depreciable property between husband and wife or between shareholder and a "controlled corporation" treated as ordinary gain, (7) gain on disposition of stock in a domestic international sales corporation, (8) gain or loss on options to buy or sell, including closing transactions, (9) transfer of property to a foreign corporation as paid-in surplus or as a contribution to capital, or to a foreign trust or partnership, and (10) the transfer of property to a partnership which would be treated as an investment company if the partnership were incorporated.

O. Sale of Personal Residence.—Tax on a portion or all of the gain from the sale of your principal residence must be deferred if:

(1) within 18 months after or before the sale, you purchase another principal residence and use it as such; or

(2) before the sale or within 18 months after the sale, you begin construction of a new principal residence and use it as such not later than two years after the sale.

If you sold your home for \$20,000 or less on or after your 65th birthday, and you owned and used it as your principal residence for at least five of the last eight years, any gain on the sale need not be included in income. If the property was sold for more than \$20,000, you may have to report part of the gain as income.

Form 2119 may be used to report the sale of your personal residence if you purchase a qualified replacement residence, or are 65 or older. Obtain **Publication 523, Tax Information on Selling or Purchasing Your Home.**

P. Losses in Transactions Between Certain Persons.—A deduction is not allowed for a loss from the sale or exchange of property directly or indirectly between: (1) members of a family; (2) a corporation and an individual or a fiduciary owning more than 50 percent of the corporation's stock (liquidations excepted); (3) a grantor and fiduciary of a trust; (4) a fiduciary and a beneficiary of the same trust; (5) a fiduciary and a fiduciary or beneficiary of another trust created by the same grantor; (6) an individual and a tax-exempt organization controlled by the individual or the individual's family; or (7) a partnership and a partner owning, directly or indirectly, more than 50 percent of the capital interest, or profits interest, in the partnership (other than a sale or exchange of an interest in the partnership).

Q. Long-term Capital Gains from Regulated Investment Companies.—Include in income as a long-term capital gain the amount shown on Form 2439 that constitutes your share of the undistributed capital gains of a regulated investment company. Enter the tax paid by the company as shown on Form 2439 on Form 1040, line 65. Add to the basis of your stock, the excess of the amount included in income over the credit.

R. Losses on Small Business Stock.—Subject to limitations, you may deduct the loss on the sale, exchange, or worthlessness of Small Business stock as an ordinary loss, rather than as a capital loss.

S. Alternative Tax Computation.—It may be to your advantage to use the alternative tax if the net long-term capital gain exceeds the net short-term capital loss, or if there is a net long-term capital gain only, and you are filing: (1) as a single person or head of household with taxable income over \$38,000; (2) a joint return, or as a qualifying widow(er) with dependent child, with taxable income over \$52,000; or (3) a separate return from your spouse and you have taxable income over \$26,000.

If the net long-term capital gain exceeds the net short-term capital loss, or if there is only a net long-term capital gain, figure the tax using the alternative method to determine if the resulting tax is less than the tax computed using the regular method.

For additional information about many of the items discussed in these instructions, obtain **Publication 544, Sales and Other Dispositions of Assets**, or **Publication 550, Tax Information on Investment Income and Expenses**, from any Internal Revenue Service office.

Instructions for Schedule E (Form 1040)

PART I.—Pension and Annuity Income

General Rule for Annuities.—Generally, amounts you received from annuities and pensions are included in your income in an amount that is figured on your life expectancy. You may find this computation and your life expectancy multiple in the income tax regulations covering annuities and pensions.

Once you figure the excludable amount for a full year, it does not change so you will not have to refigure the amount to exclude each full year. In making this computation, you can get help from the Internal Revenue Service as well as from the payer of the annuity or pension.

Special Rule for Certain Types of Employees' Annuities.—A special rule applies for amounts received as employees' annuities if (1) the employer contributed part of the cost and (2) you will receive the amount you contributed within three years from the date of the first payment you receive under the contract. If both these conditions are met, you can exclude from income the payments you receive under the contract during the first three years, until you recover your cost. Your cost is the amount you contributed, plus the contributions your employer made on which you were previously taxed. (**Caution.**—Do not add interest shown as earned on your contributions to your annuity cost unless you were previously taxed on it.) After you recover your cost, all amounts you receive are fully taxable. This method of figuring taxable income also applies to the employee's beneficiary if the employee dies before receiving any annuity or pension payments.

Example: An employee received \$200 a month from an annuity. While working the employee contributed \$4,925 toward the cost of the annuity. The employer also made contributions toward the cost of the annuity, for which the employee was not taxed. The retired employee would be paid \$7,200 during the first three years, which exceeds the employee's contribution of \$4,925. The employee would exclude from income all the payments received as an annuity until \$4,925 is received. All payments received afterward are fully taxable.

Note: If you did not contribute to the cost of your annuity or you recovered your entire cost before January 1, 1976, report your annuity on Form 1040, line 32b instead of on Schedule E. (Do this even if you received a Form W-2P.)

Death Benefit Exclusion.—If you receive pension or annuity payments as a beneficiary of a deceased employee and the employee received no retirement pension or annuity payments, you may be entitled to a death benefit exclusion of up to \$5,000. For more information, obtain Publication 575, Tax Information on Pension and Annuity Income.

Disability Pension and Annuity Payments.—If you meet all the following conditions, you may be eligible to claim the disability income exclusion (sick pay) (see instructions for line 15b, page 9, and for Form 2440, Disability Income Exclusion (Sick Pay)):

- (1) have not reached age 65 at the end of the taxable year,
- (2) have not reached mandatory retirement age at the beginning of the taxable year,
- (3) were permanently and totally disabled at the time of your retirement (or were permanently and totally disabled on January 1, 1976 if you retired before that date on disability or under circumstances which entitled you to retire on disability), and
- (4) have not made the irrevocable election not to claim the disability income exclusion (discussed below).

If you meet these four conditions, report your disability pension or annuity payments received during the taxable year on Form 1040, line 9 (except for amounts received for periods after mandatory retirement age). In addition, enter on line 15b that portion of your disability payments, if any, that is eligible for the disability income exclusion and that is attributable to periods prior to the date on which you reach mandatory retirement age. At the earlier of the beginning of the taxable year in which you reach age 65 or the date on which you reach mandatory re-

irement age, you will begin to report the disability payments under an applicable pension or annuity rule.

If you do not meet all of the above conditions, report on Form 1040, line 9 all of the disability payments received during the taxable year for periods prior to the earlier of the date on which you reach minimum retirement age or the beginning of the taxable year in which you reach age 65. For periods thereafter, report the disability payments under an applicable pension or annuity rule.

Mandatory retirement age is the age at which it has been the practice of your employer to terminate the services of the class of employees to which you belong because of age.

Before the time you start to report your disability payments under an applicable pension or annuity rule, you may not apply any of your pension or annuity cost against your disability payments. However, if you are eligible for the disability income exclusion or retired on disability before January 1, 1976, and on December 31, 1975, were entitled to exclude any amount with respect to such retirement disability payments from gross income as sick pay, you may make an irrevocable election not to claim the disability income exclusion. If you make a valid election, report your disability payments under an applicable pension or annuity rule, which allows you to apply your cost against your disability payments. The election is applicable for the year of election, but may not be made for a year prior to 1976, and all subsequent years.

To make the election, attach a statement to your tax return that (1) states you elect not to claim the disability income exclusion and will report your disability payments under an applicable pension or annuity rule, and (2) sets forth your qualifications for making the election. If you retired in 1976, you must also attach a certificate from a qualified physician attesting to your total and permanent disability at the time of your retirement. This election is not available to disability retirees who retired after December 31, 1975, and whose disability payments are not eligible for the disability income exclusion.

Any amount of disability payments received before the earlier of the beginning of the taxable year in which you reach age 65 or the date on which you reach minimum or mandatory retirement age (whichever is applicable) is not considered retirement income on Schedule RP (Form 1040), line 5, but is considered earned income for the purposes of Schedule RP (Form 1040), line 2b, and the earned income credit. (See the earned income credit worksheet on page 2.)

Lump-Sum Distribution From Form 1099R.—If you received a lump-sum distribution from a profit-sharing or retirement plan, report the taxable amount paid as capital gain on Schedule D (Form 1040) and ordinary income on Form 1040.

You may be eligible to compute the tax on the ordinary income portion of your lump-sum distribution under a special averaging method. If you make an irrevocable election, you may treat the long-term capital gain portion as ordinary income and together with the regular ordinary income portion of the lump-sum distribution compute the tax on the distribution under a special averaging method. For more information, obtain Form 4972, Special 10-Year Averaging Method, or Form 5544, Multiple Recipient Special 10-Year Averaging Method, and separate instructions.

PART II.—Rent and Royalty Income

Rent.—If you were not in the business of selling real estate but received rent from property you own or control, report the total on Schedule E, Part II, column (b). If you received property as rent, instead of money, report its fair market value.

Report amounts received from room rent and other space rentals in this part, unless you also provided services to the person renting from you. If you provided services, report the full amount received as business income in Schedule C (Form 1040). If you were in the business of selling real estate, report rentals received in Schedule C.

Except as provided below, you can deduct depreciation expense for rental property and all ordinary and necessary expenses, such as taxes, interest, repairs, insurance, agent's commissions, maintenance, and similar items. Do not deduct capital investments or improvements. Add these to the basis of the property for the purpose of depreciation. For example, a landlord can deduct the cost of minor repairs, but not the cost of major improvements such as a new roof or remodeling. Do not deduct the value of your own labor.

If You Rent Part of Your House.—If you rent out only part of your property, you can deduct only the part of your expenses that relate to the rented part. If you do not know the exact amount of these expenses, figure them on a proportionate basis. For example, if you rent out half of your home and live in the other half, deduct only half the depreciation and other expenses.

Rental of Dwelling Unit Also Used for Personal Purposes (Including Vacation Home).—You are limited on the amount of deductions attributable to the rental of a dwelling unit, including a vacation home, if it is used by you for personal purposes more than the greater of 14 days or 10 percent of the number of days during the year for which the dwelling unit was actually rented at a fair rental. The deductible expenses attributable to the rental of the unit are limited to the amount by which the gross rental income exceeds the allowable deductions for interest, taxes, and casualty losses that are allocable to the rental use.

If the rental dwelling unit is rented for less than 15 days, no deductions (other than interest, taxes and casualty losses allowable on Schedule A) are allowed and the rental income is not to be reported.

A dwelling unit includes a house, apartment, condominium, house trailer, boat or similar property.

For further information and for the method of computing the portion of expenses attributable to rental use, obtain Publication 530, Tax Information for Homeowners.

Form 4831, Rental Income, is available at Internal Revenue Service offices, if you want to use it as an attachment to your return to report your rental income and expenses. If you use Form 4831, be sure to carry over the net income or (loss) to Schedule E, line 8.

Rental Income Based upon Farm Production or Crop Shares.—Report such income and related expenses on Form 4835, Farm Rental Income and Expenses and Summary of Gross Income from Farming or Fishing, if you meet all these tests:

(1) You received rental income based on farm production or you received crop shares based on the rental of all or part of your crop land on a crop share basis.

(2) You did not, to any great extent, take part in managing or operating the farm.

(3) Two-thirds of your gross income was from farming (fishing). See note below.

If you use Form 4835, be sure to carry over the net farm rental profit or (loss) to Schedule E, line 9. Report crop shares received only for the year in which they are converted to money or its equivalent, such as merchandise or property.

Note: For purposes of estimated tax, such income received from crop shares and from rental based on farm production (but not a fixed rental that is not based on farm production) is considered to be income from farming. Add such income shown on Form 4835, line 22, to your other income from farming (or fishing). If the total is at least two-thirds of your gross income, the penalty for failure to pay estimated tax will not apply if you file your tax return and pay the tax on or before March 1, 1977. Be sure to check the box in the heading of Part II if two-thirds of your gross income is from farming (or fishing).

Royalties.—Report on Schedule E, Part II, column (c), royalties from oil, gas or mineral properties, and royalties from copyrights and patents. If you hold an operating oil, gas, or mineral interest, report gross income and expenses in Schedule C (Form 1040). Under certain circumstances, you can treat amounts received on the disposal of coal and iron ore as the sale of a capital asset. (For more information, obtain Publication 544, Sales and Other Dispositions of Assets.)

If State or local taxes were withheld from oil or gas payments you received, report in column (c) the gross amount of royalty, and include the taxes withheld by the producer in column (e), other expenses.

If you are involved in leasing personal property, certain other tangible property other than buildings, an elevator or escalator, or other real property that is or had been subject to an allowance for depreciation or amortization, any loss from such activity will be limited to the aggregate amount which you have "at risk" in the activity at the close of the taxable year.

PART III.—Partnerships, etc.

Partnerships.—If you are a member of a partnership, joint venture, or the like, include on Schedule E, Part III, your share of the ordinary income (whether you received it or not) or the net loss for the partnership tax year which ends during the year covered by your return or on the same day as that covered by your return. Losses are only allowed to the extent of the adjusted basis of your partnership interest at the end of the partnership year in which the losses occurred, and the 1976 Tax Reform Act introduced new limitations.

Partnership income (loss) will be allocable to you only for the portion of the year that you are a member of the partnership. In determining the income, loss, or special item allocable to you if you join the partnership during the year, the partnership will either allocate on a daily basis or separate the partnership year into two (or more) segments and allocate income, loss or special items in each segment among the persons who were partners during that segment.

Special "at risk" rules apply in the case of a partnership engaged in the activity of—

- (1) holding, producing, or distributing motion picture films or video tapes,
- (2) farming (cultivation of land, or raising or harvesting of any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of animals; however, trees (other than trees bearing fruit or nuts) shall not be treated as an agricultural or horticultural commodity),
- (3) leasing personal property, and certain other tangible property other than buildings, an elevator or escalator, or other real property that is or has been subject to an allowance for depreciation or amortization, or
- (4) exploring for, or exploiting, oil and gas resources,

as a trade or business or for the production of income.

Your share of any partnership loss from one of the above activities for the taxable year is allowed only to the extent of the aggregate amount with respect to which you are "at risk" with respect to the activity at the close of the partnership's taxable year.

You are generally considered to be "at risk" with respect to an activity to the extent of the cash and the adjusted basis of other property you contributed to the activity, as well as any amounts borrowed for use in the activity for which you are either personally liable or have pledged

property as security (other than property used in the activity).

Additional information concerning "at risk" limitations and a schedule of other items of income, deductions, credits, etc., to be carried to your individual return are contained on copy B of Schedule K-1 (Form 1065), Partner's Share of Income, Credit, Deductions, etc.

As a partner, you must include on Schedule SE your distributive share of partnership income or (loss) from the operation of a trade or business which constitutes net earnings from self-employment. For more information, obtain **Publication 541**, Tax Information on Partnership Income and Losses.

Estates and Trusts.—If you are a beneficiary of an estate or trust, report your taxable part of its income whether you received it or not as follows:

Dividends from qualifying domestic corporations on Schedule B (Form 1040), Part I, line 1. **Note:** If total dividends received from all sources are \$400 or less, you may enter total on Form 1040, line 10a, without itemizing on Schedule B (Form 1040).

Short-term capital gains on line 2, Schedule D (Form 1040).

Long-term capital gains on line 9, Schedule D (Form 1040).

Other taxable income less deductions for depreciation and depletion and other deductions on Schedule E, Part III.

See Schedule K-1 (Form 1041) or get information from the fiduciary about these items. Include your share of items of tax preference on Form 4625.

A U.S. person who transferred property to a foreign trust may have to include the income attributable to such property in his or her taxable income, if during 1976, such trust had a U.S. beneficiary.

Income from Farming Reported in Part III.

—If your gross income from farming (or fishing) is at least two-thirds of your gross income, the penalty for failure to pay estimated tax will not apply if you file your tax return, and pay the tax due, on or before March 1, 1977.

If you are a member of a partnership or if you are a beneficiary of an estate or trust reporting income from farming (or fishing) on Schedule E, Part III, and meet the two-thirds requirement, check the box in the heading of Part III. Show your share of partnership gross income or your part of fiduciary taxable income from farming (or fishing) on Form 4835, Part III. Attach it to Form 1040.

Small Business Corporations.—If you are a shareholder in a small business corporation which elected to have its current taxable income taxed to its stockholders, report—

(1) Actual dividend distributions (whether taxable as ordinary income or long-term capital gain) as dividend income in Schedule B (Form 1040), Part I, line 1.

Subtract from the actual dividend distribution the non-dividend (distribution of previously taxed income) portion on Schedule B, Part I, line 4, and the long-term capital gain portion on Schedule B, Part I, line 3. Also include the long-term capital gain portion on Schedule D, line 7.

(2) Constructive dividends reported to you on Schedule K-1 (Form 1120S) taxable as ordinary income (loss) on Schedule E, Part III.

(3) Constructive dividends reported to you on Schedule K-1 (Form 1120S) tax-

able as long-term capital gain on Schedule D, line 10.

If you are a shareholder claiming a deduction for a net operating loss, attach to your return a computation of the adjusted basis of your stock in the corporation and the adjusted basis of any debt the corporation owes you. Your net operating loss deduction is limited to such amount.

Special "at risk" rules apply in the case of a small business corporation engaged in the activity of—

- (1) holding, producing, or distributing motion picture films or video tapes,
- (2) farming (cultivation of land, or raising or harvesting of any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of animals; however, trees (other than trees bearing fruit or nuts) shall not be treated as an agricultural or horticultural commodity),
- (3) leasing personal property, and certain other tangible property other than buildings, an elevator or escalator, or other real property that is or has been subject to an allowance for depreciation or amortization, or
- (4) exploring for, or exploiting, oil and gas resources,

as a trade or business or for the production of income.

Your share of any corporate loss from one of the above activities for the taxable year is allowed only to the extent of the aggregate amount with respect to which you are "at risk" with respect to the activity at the close of the corporation's taxable year.

You are generally considered to be "at risk" with respect to an activity to the extent of the cash and the adjusted basis of other property you contributed to the activity, as well as any amounts borrowed for use in the activity for which you are either personally liable or have pledged property as security (other than property used in the activity).

Additional information concerning "at risk" limitations and a schedule of other items of income, deductions, credits, etc., to be carried to your individual return are contained on copy B of Schedule K-1 (Form 1120S), Shareholder's Share of Undistributed Taxable Income, etc. Include your share of items of tax preference on Form 4625.

Depreciation

You can deduct a reasonable allowance for the exhaustion, wear and tear, and obsolescence of property used in a trade or business, or property held for the production of income. The allowance is not allowed for stock in trade, inventories, land, and personal assets. See **Form 4562**, Depreciation, for information on depreciation methods, limitations and special rules.

Note: Your total additional first-year depreciation deduction from all sources is limited to \$2,000 (\$4,000 if filing jointly).

Class Life (ADR) System and Guideline

Class Life System.—If you figure depreciation by using the Class Life (ADR) System for assets put in service after December 31, 1970, or the Guideline Class Life System for assets put in service before January 1, 1971, you must file Form 4832 (Class Life (ADR) System) or Form 5006 (Guideline Class Life System). For more information, obtain **Publication 534**, Tax Information on Depreciation.

Instructions for Schedule R (Form 1040)

Credit for the Elderly— Individual(s) 65 or Over Having Any Type of Income

If you are 65 or older and have any type of income, you may be able to take a credit against your tax.

To determine your credit, you must use Schedule R. However, married individuals filing jointly may elect to compute their credit under Schedule RP (Form 1040)—Credit for the Elderly—Individual(s) Under 65 Having Public Retirement System Income, if one spouse is 65 or older and the other spouse is under 65 having public retirement income. If the election is not made, the credit must be determined under Schedule R.

Special Rules.—

(1) Married couples must file joint returns to be eligible for the credit. No credit is allowed to a married couple who lived together at any time during the taxable year unless they file a joint return. However, a married couple who did not live together at any time during the taxable year does not have to file a joint return to be eligible for the credit.

(2) The credit is available regardless of work experience in prior years.

(3) No credit is allowed to a nonresident alien unless the nonresident alien and his or her spouse who is a citizen or resident of the United States elect to be taxed on their worldwide income and file a joint return.

Figuring the Credit.—If you are having IRS figure your tax and also want them to figure your credit for the elderly, see page 4 of instructions.

If you are figuring the credit yourself, read the following instructions. If you and

your spouse are eligible to make the election noted previously, read the instructions and complete Schedule R and Schedule RP to determine your maximum credit. Fill in only one schedule (either Schedule R or Schedule RP) and file it with your return.

The maximum initial amount of income on which you can take the credit is based on your filing status and, if married, the age of your spouse.

If you are:	Then your maximum amount for credit computation is:
Single, 65 or over	\$2,500
Married filing jointly and only one spouse is 65 or over	2,500
Married filing jointly and both spouses 65 or over	3,750
Married filing a separate return, 65 or over, and have not lived with your spouse at any time during the taxable year	1,875

From this amount you must subtract (on lines 2(a) and (b)), certain exempt pensions and annuities and may have to subtract a part of your adjusted gross income as shown on Form 1040, line 15c. The maximum amounts allowable as a credit are shown below, but the credit cannot be more than the amount of tax shown on Form 1040, line 18.

\$375 (15% of \$2,500) on a separate return if single and 65 or over or on a joint return where one spouse is 65 or over.

\$562.50 (15% of \$3,750) on a joint return if both spouses are 65 or over.

\$281.25 (15% of \$1,875) on a separate return if married, 65 or over, and have not lived with your spouse at any time during the taxable year.

Figure your credit as follows:

Check filing status and age box.

Line 1.—Enter the initial amount of income for credit computation as instructed on the schedule.

Line 2(a).—Enter the following pensions and annuities received during 1976.

(1) Pensions and annuities received under the Social Security Act or Railroad Retirement Acts. For social security pension, enter the gross amount before deduction of any amount withheld to pay medicare insurance premiums.

(2) Any other pensions and annuities that are not taxed. Include the total monthly payments you received from a matured U.S. Government life insurance endowment contract that is not attributable to the cost of the contract. (Do not include supplemental annuities under the Railroad Retirement Acts, military disability pensions, or any amount treated as a return of your cost.)

Do not include on this line amounts excluded from gross income such as amounts received under accident or health insurance plans or as compensation for injury or sickness.

Line 2(b).—Show one-half of the excess of your adjusted gross income (Form 1040, line 15c) over:

\$7,500 if single.

\$10,000 if filing a joint return.

\$5,000 if married filing a separate return.

Line 3.—Add lines 2(a) and (b) and enter total on line 3.

Line 4.—Subtract line 3 from line 1 and enter the difference on line 4. (If line 3 is more than line 1, enter zero on line 4.)

Lines 5 through 7.—Complete these lines as instructed on the schedule.

If you need more information, obtain **Publication 524, Tax Credit for the Elderly**. It gives examples of how to figure the credit and also sample filled-in schedules.

Instructions for Schedule RP (Form 1040)

Credit for the Elderly—Individual(s) Under 65 Having Public Retirement System Income

If you are under 65 and have public retirement system income, you may be able to take a credit against your tax.

To determine your credit, you must use Schedule RP. However, if you are married filing jointly and your spouse is 65 or older, unless both of you have elected to compute the credit under Schedule RP, you must determine the credit by using Schedule R (Form 1040)—Credit for the Elderly—Individual(s) 65 or Over Having Any Type of Income.

Special Rules.—

(1) Married couples must file joint returns to be eligible for the credit. No credit is allowed to a married couple who lived together at any time during the taxable year unless they file a joint return. However, a married couple who did not live together at any time during the taxable year does not have to file a joint return to be eligible for the credit.

(2) The credit is available regardless of work experience in prior years.

(3) No credit is allowed to a nonresident

alien unless the nonresident alien and his or her spouse who is a citizen or resident of the United States elect to be taxed on their worldwide income and file a joint return.

Figuring the Credit.—If you are having IRS figure your tax and also want them to figure your credit for the elderly, see page 4 of instructions.

If you are figuring the credit yourself, follow the instructions below.

The maximum amount of retirement income on which you can take the credit is based on your filing status and, if married, the age of your spouse.

If you are:	Then your maximum amount for credit computation is:
Single, under 65	\$2,500
Married filing jointly and one spouse over 65 (applicable only if election made)	3,750
Married filing jointly and both spouses under 65	3,750
Married filing a separate return, under 65, and have not lived with your spouse at any time during the taxable year	1,875

Note: The \$3,750 must be divided between you and your spouse on a joint re-

turn, but no more than \$2,500 may be allocated to either.

From this amount you must subtract certain exempt pensions and annuities and may have to subtract a part of your 1976 earned income. The maximum amounts allowed as a credit are shown below, but the credit cannot be more than the amount of tax shown on Form 1040, line 18.

\$375 (15% of \$2,500) on a separate return if single and under 65.

\$562.50 (15% of \$3,750) on a joint return if one spouse is 65 or over or on a joint return where both spouses are under 65.

\$281.25 (15% of \$1,875) on a separate return if married, under 65, and have not lived with your spouse at any time during the taxable year.

Figure the credit as follows:

Check filing status and age box. By checking the box for a married couple filing a joint return where one spouse is 65 or over, you and your spouse elect to compute your credit under Schedule RP.

Line 1.—Enter the maximum amount of retirement income for credit computation as instructed on the schedule.

On a joint return, a married couple must divide the maximum amount of retirement income between them, but not more than \$2,500 may be allocated to either. Use column A for wife and column B for husband.

Line 2(a).—Show the following pensions and annuities received during 1976.

(1) Pensions and annuities received under the Social Security Act or Railroad Retirement Acts. For social security pension, show the gross amount before deduction of any amount withheld to pay medicare insurance premiums.

(2) Any other pensions and annuities that are not taxed. Include the total monthly payments you received from a matured U.S. Government life insurance endowment contract that is not attributable to the cost of the contract. (Do not include supplemental annuities under the Railroad Retirement Act, military disability pensions, or any amount treated as a return of your cost.)

Do not include on this line amounts excluded from gross income such as amounts received under accident or health insurance plans or as compensation for injury or sickness.

Line 2(b).—Show earned income received during 1976 on line (i) or (ii), depending on your age. If you or your spouse were 72 or older on January 1, 1977, do not make an entry on this line for him or her.

Earned income is wages, salaries, professional fees or other amounts received as payment for work or services. An annuity or pension is not earned income.

If you or your spouse were in a trade or business in which both personal services and capital were to a great extent income-producing factors, consider a reasonable amount (but not over 30 percent of your net profits) as earned income.

Line 3.—Add lines 2(a) and (b) and enter total on line 3.

Line 4.—Subtract line 3 from line 1 and enter the difference on line 4. (If line 3 is more than line 1, enter zero on line 4.) If the amount you entered on line 4 for column A or B is more than zero, complete the rest of the schedule to figure your credit. If both columns are zero or less on line 4, you cannot take a credit for the elderly so do not complete the rest of the schedule.

Line 5.—If under 65, enter retirement income on line (a). See below for what income to enter. If 65 or older, enter retirement income on line (b). See below for what income to enter.

What is Retirement Income.—

(a) If under 65 on January 1, 1977, retirement income includes only the amount received during 1976 from a pension or annuity under a public retirement system, which is reported as income on Form 1040. (A public retirement system is one set up by the Federal Government, or a State, county, city, etc.)

If you retired from the Federal, State, etc. Government on disability and are under age 65 at the end of your taxable year, your disability annuity payments are earned income and NOT retirement income unless the payments (1) are for periods after the date on which you attain the minimum retirement age and (2) are ineligible for the disability income exclusion. Such payments are ineligible for the disability income exclusion if you:

- (i) received the payments for a period after you attained mandatory retirement age,
- (ii) were not permanently and totally dis-

abled when you retired (or were not permanently and totally disabled on January 1, 1976, if you retired before that date on disability or under circumstances which entitled you to retire on disability), or

- (iii) have made a valid irrevocable election not to claim the disability income exclusion.

Generally, minimum retirement age is the age at which you are eligible to receive a pension or annuity without regard to disability. Mandatory retirement age is the age at which it has been the practice of your employer to terminate the services of the class of employees to which you belong because of age.

For information on how to report your disability retirement income, see Instructions for Schedule E.

(b) If 65 or older on January 1, 1977, retirement income includes the amounts received during 1976 from pensions, annuities, interest, rents, dividends, proceeds of retirement bonds, and amounts received from individual retirement accounts and individual retirement annuities which are reported as income on Form 1040. It does not include royalties. (For this purpose, income from rents means the full amount received before subtracting depreciation or any other expenses.)

Lines 6 through 10.—Complete these lines as instructed on the schedule.

If you need more information, obtain **Publication 524, Tax Credit for the Elderly**. It gives examples of how to figure the credit and also sample filled-in schedules.

Instructions for Schedule C (Form 1040)

If you owned a business or practiced a profession, complete Schedule C. Then enter your net profit or loss on Form 1040, line 29. If you had more than one business, or if you and your spouse had separate businesses, complete a Schedule C for each business. Farmers should use Schedule F.

If some of your expenses are part business and part personal, you can deduct only the business part. For example if only half of your car usage is for business, you can deduct only half of the cost of operating the car.

Sales, exchanges, or involuntary conversions of certain trade or business property are to be reported on Form 4797, Supplemental Schedule of Gains and Losses.

You have to pay the social security self-employment tax on income from any trade or business, unless specifically excluded. See Schedule SE. Generally, if you filed Form 4029 or Form 4361, do not file Schedule SE. Instead write "Exempt—Form 4029" or "Exempt—Form 4361" on Form 1040, line 58.

Limited Deduction for Losses Arising from Certain Activities

If you are engaged in the activity of:

- (1) holding, producing, or distributing motion picture films or video tapes,
- (2) farming (cultivation of land, or raising or harvesting of any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of animals; however, trees (other than trees bearing fruit or nuts) shall not be treated as an agricultural or horticultural commodity),
- (3) leasing personal property, and certain other tangible property other than buildings, an elevator or escalator, or other real property that is or has been subject to an allowance for depreciation or amortization, or
- (4) exploring for, or exploiting, oil and gas resources,

as a trade or business or for the production of income, any loss from such activity will be allowed only to the extent of the aggregate amount which you have risked (amount that you personally invested plus any amount for which you are personally liable).

Deductions Allocable to Business Use of a Dwelling Used as a Residence.—The 1976 Tax Reform Act imposed new restrictions on deductions for business use of a dwelling used as a residence.

You may deduct, within certain limits, business use expenses that are allocable to a portion of the dwelling unit **ONLY** if that portion is exclusively used on a regular basis:

- (a) as your principal place of business,
- (b) as a place of business used by your patients, clients, or customers in meeting or dealing with you in the normal course of your trade or business, or
- (c) in connection with your business if it is a separate structure that is not attached to your dwelling unit.

You may also deduct expenses allocable to space within the dwelling unit that is used on a regular basis as a storage unit for inventory held for use in your trade or business of selling products at retail or wholesale, but only if the dwelling unit is the sole fixed location of your trade or business.

Limitation on Deduction.—Subtract the allowable interest, taxes and casualty losses allocable to business or storage use from the amount of gross income derived from trade or business use and determine the balance. You may deduct so much of your other expenses allocable to business or storage use that do not exceed this balance.

The interest, taxes, or casualty losses not allocable to business or storage use may be taken as itemized deductions on Schedule A (Form 1040). For more information see **Publication 587, Business Use of Your Home**. See Instructions for Schedule E for information on deductions allowable for rental use of a dwelling used as a residence.

Accounting Methods and Records.—On your return you must use the "cash method" of reporting unless you kept books of account. If you kept such books, you can use either the "cash method," "accrual method," or in certain limited situations the "completed contract" or "percentage of completion" methods. The method or methods used must properly reflect your income.

"Cash method" means you generally show all items of taxable income actually or constructively received during the year (whether in cash, property, or services) and those amounts actually paid during the year for deductible expenses. Income is "constructively" received when it is credited to your account or set aside for you to draw on at any time.

"Accrual method" means you report income when earned, even if not received, and deduct expenses when incurred, even if not paid during the taxable year.

Item A—Principal Business Activity and Product.—Give the one business activity that accounted for the largest percentage of gross income included in Schedule C, page 1, line 1. State the broad field of business activity as well as the product or service. For example, "wholesale—drugs," "retail apparel."

Item C—Employer Identification Number.—An employer identification number is not needed unless you were required to file an employment, excise, alcohol, tobacco, or firearms tax return or maintain a Keogh (H.R. 10) plan.

Item D—Business Address.—Do not use your home address as a business address unless you actually conducted the business from your home. Show street address rather than box number.

Item F—Information Returns.—You may be required to file information returns for wages paid to employees, certain payments of fees and other non-employee compensation, interest, rents, royalties, annuities and pensions. For more detailed information, see instructions for Forms W-3 (Transmittal of Wage and Tax Statements) and 1096 (Annual Summary and Transmittal of U.S. Information Returns).

Income

Line 1—Gross receipts or gross sales.—Enter gross receipts or sales from your trade or business, except those items required to be reported on line 4. (See instructions for line 4.)

Returns and allowances.—Enter such items as returned sales, rebates, and allowances from the sale price or service charge.

Installment Sales.—If you use the installment method of reporting income from sales, attach to your return a schedule showing separately for 1976 and the three preceding years:

- (1) gross sales,
- (2) cost of goods sold,
- (3) gross profit,
- (4) percentage of gross profits to gross sales,
- (5) amounts collected, and
- (6) gross profits on amounts collected.

Line 2—Cost of goods sold, Schedule C-1.—If you were engaged in a trade or business in which the production, purchase, or sale of merchandise was an income producing factor, inventories of merchandise must be taken into account at the beginning and end of your taxable year.

The inventories can be valued at:

- (1) cost,
- (2) cost or market, whichever is lower, or

(3) any other method approved by the Commissioner.

You must continue to use the same valuation method you adopted for the first year you took inventory unless you get permission to change your method by applying to the Commissioner of Internal Revenue, Washington, D.C. 20224. Use Form 3115 to apply for such permission, and file it with the Service within 180 days after the beginning of the taxable year in which you want to use the new method.

Cost of Operations (Where Inventories are Not an Income-determining Factor).—If the amount entered on line 2 includes an amount applicable to cost of operations, complete appropriate lines of Schedule C-1.

Line 4—Other Income.—Include on line 4 finance reserve income, sales of scrap, amounts recovered from bad debts, and interest, as well as other kinds of miscellaneous income from your trade or business.

Deductions

Line 6—Depreciation.—You can deduct a reasonable allowance for the exhaustion, wear and tear, and obsolescence of property used in a trade or business, or property held for the production of income. The allowance is not allowed for stock in trade, inventories, land, and personal assets. See Form 4562 for information on depreciation methods, limitations and special rules.

Class Life (ADR) System and Guideline Class Life System.—If you figure depreciation by using the Class Life (ADR) System for assets put in service after December 31, 1970, or the Guideline Class Life System for assets put in service before January 1, 1971 you must file Form 4832 (Class Life (ADR) System) or Form 5006 (Guideline Class Life System). For more information, obtain Publication 534, Tax Information on Depreciation.

Line 9—Repairs.—You can deduct the cost of incidental repairs, including labor (but not the value of your own labor), supplies, and other items, that do not add to the value or appreciably prolong the life of the property. Amounts spent to restore or replace property are not deductible. They are chargeable to capital accounts or to depreciation reserve, depending on how depreciation is charged on your books. Include on line 9 the total amount of repairs from Form 4832 if the Class Life (ADR) System of depreciation is used.

Line 14—Amortization.—You may elect to amortize expenditures for pollution control facilities and on-the-job training and child care facilities ratably over a 60 month period instead of taking the depreciation deduction. You may also elect to amortize expenditures for research or experi-

mentation or a trade mark or trade name ratably over a period of not less than 60 months. For more information, see Publication 535, Tax Information on Business Expenses.

Treatment of Nonresidential Real Property Construction Period Interest and Taxes.—If you began construction of nonresidential real property (building or other improvement) in 1976, and the property was not ready to be placed in service or held for sale at the end of 1976, you may now deduct only 50 percent of the real property taxes and interest paid or accrued on indebtedness incurred or continued to acquire, construct, or carry the property. One third of the remainder will be allowed as a deduction in 1977 (or, if later, in the year in which the property is ready to be placed in service or is ready to be held for sale) and in the following 2 years.

"Nonresidential real property" means real property that is not or cannot reasonably be expected to be residential rental property, real property held for sale as dwelling units, or low-income housing.

Line 15(a)—Retirement Plans, etc.—Enter the amount you claim as a deduction for contributions to a pension, profit-sharing, or annuity plan, or plans, for the benefit of your employees. If the plan includes you as a self-employed person, enter contributions made as an employer on your behalf (but not voluntary contributions you made as an employee) on Form 1040, line 40b, instead of on Schedule C, line 15(a).

Sole proprietors who have Keogh (H.R. 10) plans should file Form 5500-K or Form 5500 for such plans. Do not attach to your Form 1040.

Partners are not required to file returns for Keogh plans in which they participate. However, partnerships are required to file Form 5500, Form 5500-C, or 5500-K to report on Keogh plans.

Complete a Form 5500-K for each plan with fewer than 100 participants and with at least one owner-employee and file as a separate return. Complete a Form 5500-C for each plan with fewer than 100 participants and no owner-employee participant and file as a separate return. Complete a Form 5500 for each plan with 100 or more participants and file as a separate return. File these forms on or before the last day of the 7th month following the close of your taxable year.

Line 15(b)—Employee Benefit Programs.—Enter the amount of your contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 15(a). Contributions to employee benefit programs that are to be reported

on this line include insurance, health, and welfare programs.

Line 16—Interest on Business Indebtedness.—Generally, a cash basis taxpayer, who in 1976 prepaid interest allocable to any period after 1976, can only deduct the amount allocable to 1976. However, if the prepayment is required by a binding contract or written loan commitment that existed on September 16, 1975 (and at all times thereafter), such prepaid interest is deductible if paid in 1976, if the deduction of such interest would not materially distort income. See Publication 17, Your Federal Income Tax, Chapter 22.

Do not include on line 16, interest that your trade or business paid or accrued on debts incurred to purchase or carry property held for investment. You should claim this interest on investment debts on Schedule A (Form 1040). For further information, see Schedule A (Form 1040) instructions.

Line 17—Bad Debts Arising from Sales or Services.—Includes debts, or portions of them, arising from sales or professional services that were included in income and definitely known to be worthless; or a reasonable amount that was added during the taxable year to a reserve for bad debts. A debt which is deducted as bad and which reduces your tax must, if later collected, be included as income for the year in which collected.

Line 18—Depletion.—If a deduction is claimed on account of timber depletion, attach Form T to your return.

Line 19—Other Business Expenses.—Include all ordinary and necessary business expenses. Do not include cost of business equipment or furniture, amounts spent for replacements or permanent improvements to property, or personal living and family expenses.

Automobile Expenses, Special Rule.—See page 11 for optional method of figuring deductible automobile expenses.

Schedule C-4—Expense Account Information.—Expense account allowance means (a) amounts other than compensation, received as advances or reimbursements, and (b) amounts paid by or for you for expenses incurred by or for yourself or your employees, including all amounts charged through any type of credit card, for which a deduction is claimed in this schedule. This term does not include amounts paid for (a) the purchase of goods for resale or use in your business, and (b) incidental expenses, such as the purchase of office supplies or for local transportation in connection with an errand. You should keep records as proof of amounts spent for entertainment.

Instructions for Schedule SE (Form 1040)

IMPORTANT NOTICE: If you are self-employed and Form 1040, line 15c, is less than \$8,000, it may be necessary for you to complete lines 1 through 13 of Schedule SE (Form 1040), even though your self-employment income is less than \$400. You may be eligible to claim the earned income credit. See page 2. Income exempt from self-employment tax as a result of filing Forms 4029 or 4361, is not earned income for purposes of the earned income credit.

Schedule SE provides the Social Security Administration with information on self-employment income necessary for figuring benefits under the social security program. You have to pay social security self-employment tax regardless of age, and even though you are receiving social security benefits.

To assure proper credit to your account, enter your name and social security number on Schedule SE exactly as they are shown on your social security card.

Fiscal year filers must use the tax rate and earnings base that are applicable at the time in which their fiscal year begins. No proration of the tax or earnings base is required for a fiscal year that overlaps the date of a rate or earnings base change.

Ministers, members of religious orders, and Christian Science practitioners.—Duly ordained, commissioned, or licensed ministers of churches, members of religious orders (who have not

taken a vow of poverty) and Christian Science practitioners are subject to social security self-employment tax. But you can, under certain conditions, request to exempt your income from service as a minister, member or practitioner by filing Form 4361. If you filed Form 4361 and you have no other income subject to social security self-employment tax, write "Exempt—Form 4361" on Form 1040, line 58. (Note: If you filed Form 4361 but have \$400 or more from other net earnings subject to self-employment tax, you must complete Schedule SE.) You can get forms, schedules, and publications from any Internal Revenue Service office. If you previously filed an effective waiver certificate, Form 2031, to pay social security self-employment tax, you cannot file for an exemption. For more information obtain Publication 517, Social Security for Members of the Clergy and Religious Workers.

Members of certain religious sects.—If you have conscientious objections to social security insurance because of your belief in the teachings of a recognized religious sect of which you are a member, you can file Form 4029 to get exemption from self-employment tax. If you filed Form 4029, do not file Schedule SE. Instead, write "Exempt-Form 4029" on Form 1040, line 58.

Coverage of ministers and members of religious orders who are U.S. citizens serving outside the U.S.—Ministers and members of religious orders who are U.S. citizens serving outside the U.S. (such as missionaries) may compute

net earnings from self-employment as if they were serving in the U.S. Ministers or members of a religious order who are serving in a possession of the U.S. or in a foreign country must include their income in computing net earnings from self-employment. This provision applies to ministers who have not elected to be exempt from coverage.

Christian Science practitioners are not included in this provision. The provision applies only to ministers and members of religious orders.

If you are a minister or member of a religious order, you must include in your earnings from self-employment (but not for income tax purposes) the rental value of a home furnished you or an allowance for it. You must also include the value of meals and lodging furnished you for the convenience of your employers.

U.S. citizens employed by foreign governments or international organizations.—You are subject to the social security self-employment tax if you are a U.S. citizen employed in the U.S., Puerto Rico, Guam, American Samoa, or the Virgin Islands by a foreign government, an instrumentality wholly owned by a foreign government, or an international organization organized under the International Organizations Immunities Act. Report income from such employment on Schedule SE, line 5(d).

Self-employment income of certain individuals temporarily living outside the U.S.—U.S. citizens who are self-employed outside the U.S. and who retain their residence in the U.S. must compute their net earnings from self-employment in the same way as those who are self-employed in the U.S. The exclusion of income

earned abroad for income tax purposes does not apply with respect to the social security self-employment tax. This provision does not apply to U.S. citizens who have established residence in a foreign country.

Fee basis State or local government employees.—Fees received for functions and services performed by these employees (including public officers who in such capacity are employees) are subject to self-employment tax if the functions and services are performed in positions which are: (1) compensated solely on a fee basis; and (2) not covered under a Federal-State social security coverage agreement.

Adjustments

Exclude from Schedule SE, line 2, any item of income or expense that is not included in the computation of net earnings from farm self-employment and attach an explanation. Exclude from Schedule SE, line 2, any additional first-year depreciation or unreimbursed expenses attributable to farm partnership income.

Use Schedule SE, line 7, to exclude any amounts reported in Schedule C that should not be taken into account in figuring your nonfarm self-employment income. Deduct additional first-year depreciation from nonfarm partnerships on Schedule SE, line 7.

In figuring net earnings from self-employment, do not take into account income or (loss) or any deductions for expenses connected with this income from the following sources:

A. Employees and public officials.—Income (fees, salaries, etc.) from the performance of services as: (1) a public official (except as noted above); (2) an employee or employee representative under the railroad retirement system; or (3) an employee (except as indicated above).

Note.—Income of an employee 18 or over from the sale of newspapers or magazines to an ultimate consumer is subject to self-employment tax if the employee kept the profits from such sales.

B. Certain payments to retired partners.—Income received by a retired partner under a written partnership plan that provides for life-long periodic retirement payments if the retired partner has no interest in the partnership (except for the right to the retirement payments) and did not perform services for the partnership during the year.

C. Real estate rentals.—Rentals from real estate, except rentals received in the course of a trade or business as a real estate dealer. These include cash and crop shares received from a tenant or share-farmer. Report these amounts on Schedule E, Part II. However, rental income from a farm is not excluded if the rental arrangement provides for material participation by the landlord and the landlord does participate materially in the production or in the management of the production of one or more farm products on his or her land. Such income represents farm earnings and should be reported on Schedules F and SE.

Note.—To determine whether you participated materially in such farm management or production, do not consider the activities of any agent who acted for you.

The following are not real estate rentals: payments for the use or occupancy of rooms or other space where services are also furnished to the occupant, such as rooms in hotels, boarding houses, apartment houses, furnishing hotel services, tourist camps or homes; or payments for space in parking lots, warehouses, or storage garages. These payments must be included in figuring net earnings from self-employment.

D. Dividends and Interest.—Dividends on shares of stock and interest on bonds, debentures, notes, certificates, or other evidence of indebtedness, issued with interest coupons or in registered form by a corporation, or by a government or its political subdivisions, unless received in the course of a trade or business as a dealer in stocks or securities.

E. Property gains and losses.—Gain or loss: (1) from the sale or exchange of a capital asset; (2) from certain transactions involving timber, coal, or domestic iron ore; or (3) from the sale,

exchange, involuntary conversion, or other disposition of property if that property is neither (a) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year; nor (b) property held primarily for sale to customers in the ordinary course of the trade or business.

F. Net operating losses.—No deduction for net operating losses of other years is allowed in figuring net earnings from self-employment.

More Than One Trade or Business

If you farmed and also had one or more other trades or businesses, your net earnings from self-employment are the combined net earnings from self-employment of all your trades and businesses. Thus, if you had a loss in one trade or business, it reduces the income from another trade or business. In such cases, use both Schedule F and Schedule C to figure net profit from the farm and nonfarm activities respectively. Make the combined computation of self-employment tax on Schedule SE.

Joint Returns

For a joint return, show the name of the spouse with self-employment income on Schedule SE. If both spouses have self-employment income, each must file a separate Schedule SE. Include the total of profits or (losses) from all businesses on Form 1040, line 29 or 33, as appropriate. Then enter the combined self-employment tax on Form 1040, line 58.

Community Income

For the purpose of figuring net earnings from self-employment, if any of the income from a trade or business, including farming, is community income, all the income from that trade or business is considered the income of the husband, unless the wife exercises substantially all the management and control of the operation. In that case, all such income is considered the wife's.

If you file separate returns, attach Schedules C and SE or Schedule F and SE to the return of the spouse with self-employment income. Community income included on such schedules must be divided, for income tax purposes, on the basis of the community property laws.

Partnerships

In figuring your combined net earnings from self-employment, you should include your entire share of such earnings from a partnership, including any guaranteed payments. No part of that share can be allocated to your spouse, even though the income may, under State law, be community income. However, in the case of a husband and wife farm partnership, as in other partnerships, the distributive share of each must be entered as partnership income on Schedule E (Form 1040) Part III, for income tax purposes, and on Schedule SE, line 1(b), for self-employment tax purposes. (Report nonfarm partnership income in Schedule SE, line 5(b), for social security self-employment tax purposes.)

Note.—If a member of a continuing partnership dies, part of the deceased partner's distributive share of the partnership's ordinary income or (loss) for the taxable year of the partnership in which the partner died must be included in the partner's net earnings from self-employment.

Optional Method for Computing Net Earnings From Farm Self-Employment

If your gross profits for the year from farming were not more than \$2,400, you can report two-thirds of your gross profits from farming instead of your actual net earnings from farming. If your gross profits from farming were more than \$2,400, and your actual net earnings from farming were less than \$1,600, you can report \$1,600.

There is no limitation on frequency of electing optional method for self-employment income solely from farming. If it is used, however, it must be applied to all farm earnings from self-employment for the year. It may be used to

increase or decrease net farm earnings and it may be used even if the farming operation resulted in a loss. You may change the method (either from actual net to optional net or the reverse) after you file your return. The change may be effected by the taxpayer or someone qualified to act on the taxpayer's behalf if the taxpayer is incompetent or deceased.

For the optional method, you should figure your share of gross profits from the farm partnership according to the partnership agreement. In the case of guaranteed payments, your share of the partnership's gross profits is your guaranteed payment plus your share of the gross profits after such gross profits are reduced by all guaranteed payments of the partnership.

Optional Method for Computing Net Earnings From Nonfarm Self-Employment

If you are a regularly self-employed individual you may, if you meet certain conditions, use an optional method to determine your net earnings from nonfarm self-employment. The option is available when your actual earnings from nonfarm self-employment are less than \$1,600 and less than two-thirds of your gross nonfarm profits.

Under the nonfarm optional method, you as a regularly self-employed individual may report two-thirds of your gross nonfarm profits (but not more than \$1,600) as your net earnings from self-employment if your net earnings from such self-employment are less than \$1,600 and less than two-thirds of your gross nonfarm profits from such self-employment. However, unlike the farm optional method, the nonfarm optional method precludes you from reporting less than your actual net earnings from nonfarm self-employment.

You may use the optional method of computing net earnings from nonfarm self-employment if you are: (1) regularly self-employed, or (2) regularly a member of a partnership. This requirement is met if you had actual net earnings from self-employment of \$400 or more (including your distributive share of the income or loss from any partnership of which you are a member) from trades or businesses (nonfarm and farm) in at least 2 years of the 3 consecutive years immediately preceding the year for which you elect to use the nonfarm option.

Do not use the optional method of computing net earnings from nonfarm self-employment for more than 5 years. The 5 years need not be consecutive.

If both nonfarm and farm businesses are involved, the nonfarm option may be used only if your actual net earnings from nonfarm self-employment are less than \$1,600. Additionally, in all such combined cases your net nonfarm earnings must be less than two-thirds of your gross nonfarm profits in order to use the nonfarm option. If you qualify to use both options, you may report less than actual total net earnings but not less than actual net earnings from nonfarm self-employment alone.

If you elect to use both the nonfarm option and the farm option in computing net earnings from self-employment, your maximum combined total of net earnings from self-employment for any one taxable year cannot be more than \$1,600.

For the nonfarm optional method, you should figure your share of gross profits from a nonfarm partnership according to the partnership agreement. With guaranteed payments, your share of the partnership's gross profits is your guaranteed payment plus your share of the gross profits after such gross profits are reduced by all guaranteed payments of the partnership.

Share-Farming Arrangements

If you produce crops or livestock on land belonging to another for a proportionate share of the crop or livestock produced, or the proceeds from them, you are considered to be an independent contractor and a self-employed person rather than an employee. Report your net earnings on Schedule F for income tax purposes and on Schedule SE for social security self-employment tax purposes.

For more information on self-employment tax, obtain Publication 533, Information on Self-Employment Tax.

Instructions for Schedule F (Form 1040)

Employer Identification Number

An employer identification number is not needed unless you were required to file an employment, excise, alcohol, tobacco, or firearms tax return or maintain a Keogh (H.R. 10) plan.

Cash Receipts and Disbursements Method of Reporting

Include the following in income:

- (1) Profits received from the sale of livestock and other items bought for resale.
 - (2) Cash and the value of merchandise or other property received from the sale of livestock and produce raised during 1976 or earlier years.
 - (3) Other farm income.
- Your expenses are the amounts you paid during 1976 plus deductions such as depreciation.

Livestock Sold on Account of Drought

You can elect to include livestock sale proceeds in income in the taxable year following the taxable year of a drought, if your principal trade or business is farming, and if you can establish that the sale would not have occurred except for the drought and your area is designated as being eligible for Federal Government assistance.

You can elect to include crop insurance proceeds and certain disaster payments in income in the taxable year following the taxable year of destruction or damage if you can establish that it is your practice

to report income from such crops in a following taxable year. For more information, contact any Internal Revenue Service office, or obtain **Publication 225, Farmer's Tax Guide.**

Accrual Method of Reporting

The gross profits are figured as indicated in the summary of income and deductions on page 2 of Schedule F. Farm expenses are the actual expenses incurred during 1976 whether you paid them or not. You can value inventories according to the "farm-price method," which provides for the valuation of inventories at market price less direct cost of disposition, or you can use other methods. Farmers raising livestock can value their inventories of animals according to either the "farm-price method" or the "unit-livestock-price method."

If you use an accrual method of accounting, you must inventory growing crops.

Income

Generally, you should report all farm income in Schedule F. However, if you received rental income based on farm production or if you received crop shares based on the renting of all or part of your crop land on a crop share basis, and you did not materially participate in operating the farm, report such income on Form 4835, Farm Rental Income and Expenses and Summary of Gross Income From Farming or Fishing (such income is not sub-

ject to self-employment tax) and Schedule E. If you materially participated in the operation of a farm, the rental income you received is subject to self-employment tax and should be reported in Schedule F. **Note.**—To determine whether you participated materially in such farm management or production, do not consider the activities of any agent who acted for you.

Under both the cash and the accrual methods of reporting, you should report crop share rentals received in the year in which you convert them to money or its equivalent.

Report sales, exchanges, or involuntary conversions of certain trade or business property on Form 4797, Supplemental Schedule of Gains and Losses.

Anything of value received instead of cash, such as groceries in exchange for produce, must be treated as income to the extent of its market value. The value of farm produce that you and your family used need not be reported as income, but expenses incurred in raising such produce must not be claimed as deductions. Include recoveries from insurance on growing crops. ("Cash method" taxpayers, see Cash Receipts and Disbursements Method of Reporting.)

Cooperative Allocations, Dividends and Advances

Also include in farm income: (1) per-unit retain allocations received from cooperatives in money and qualified per-unit retain certificates (to the extent of stated dollar amounts), and (2) patronage dividends received from cooperatives in money and qualified written notices of allocation (to the extent of stated dollar amount).

Patronage dividends received in property other than written notices of allocation are includable in farm income to the extent of fair market value.

Include in farm income, Schedule F, line 21, nonpatronage distributions received from farmers' cooperatives exempt from tax.

See **Publication 225** for detailed instructions on how and when to report the receipt and redemption of nonqualified certificates and nonqualified written notices, and the receipt of patronage dividends received on purchase of assets and nonbusiness purchases.

Patronage dividends are excludable from your gross income if directly attributable to: (1) the purchase of personal, living, or family items; or (2) the purchase of capital assets, or depreciable property used in your business, but only where the basis of the items purchased is adjusted downward by the amount of the dividends excluded from income.

Cash advances received from marketing cooperatives you do business with are includable in farm income.

Federal Gasoline Tax Credit

If you use the "cash method," enter in Part I, line 24 any Federal gasoline tax claimed as a credit on Form 1040 for 1975. If you use the "accrual method," enter in Part V, line 63 any Federal gasoline tax you claim as a credit on Form 1040 for 1976.

Agricultural Program Payments

In Cash.—Enter the total amount of price support payments, diversion payments, and cost share payments received in cash (sight drafts).

Limited Deduction for Losses Arising from Certain Activities

If you are engaged in the activity of:

- (1) holding, producing, or distributing motion picture films or video tapes,
- (2) farming (cultivation of land, or raising or harvesting of any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of animals; however, trees (other than trees bearing fruit or nuts) shall not be treated as an agricultural or horticultural commodity),
- (3) leasing personal property, and certain other tangible property other than buildings, an elevator or escalator, or other real property that is or has been subject to an allowance for depreciation or amortization, or
- (4) exploring for, or exploiting, oil and gas resources,

as a trade or business or for the production of income,

any loss from such activity will be allowed only to the extent of the aggregate amount which you have risked (amount that you personally invested plus any amount for which you are personally liable).

Deductions are limited for farming syndicates that had a change in membership or were established in 1976.—A farming syndicate may be a partnership, or any other noncorporate enterprise, or an electing small business corporation engaged in the trade or business of farming, if (1) at any time interests in the partnership or enterprise have been offered for sale in any offering required to be registered with

any Federal or State agency, or (2) more than 35 percent of the losses during any period are allocable to limited partners or limited entrepreneurs.

A "limited entrepreneur" is a person who has an interest in an enterprise other than as a limited partner and who does not actively participate in the management of the enterprise.

In the case of any farming syndicate, a deduction for amounts paid for feed, seed, fertilizer, or other similar farm supplies is only allowed for the taxable year in which such items are actually used or consumed (or, if later, the taxable year for which such amounts are deductible under the syndicate's method of accounting). However, this does not apply to any amount paid for supplies on hand at the end of the taxable year on account of fire, storm, flood, other casualty, disease, or drought, or to any amount required to be capitalized.

The cost of poultry (including egg laying hens and baby chicks) purchased for use in a trade or business (or both for use in a trade or business and for sale) must be capitalized and deducted ratably over the lesser of 12 months or their useful life in the trade or business.

A syndicate that is engaged in planting, cultivating, maintaining, or developing a grove, orchard, or vineyard in which fruit or nuts are grown must capitalize any amount that (1) would otherwise be deductible, (2) is attributable to the planting, cultivation, maintenance, or development of the grove, orchard, or vineyard, and (3) is incurred before the taxable year in which there is a crop or yield in commercial quantities.

In Materials and Services.—If you received benefits in the form of materials, such as fertilizer or lime, or in the form of services, such as grading or the construction of dams, enter the total amount paid by the Department of Agriculture to the vendor or contractor.

Commodity Credit Corporation Loans

If commodities are pledged as security for a loan from the Commodity Credit Corporation, income is not considered received until the commodities are delivered or forfeited to the Corporation, unless an election is made to include the loan in income when received. If you made this election or delivered or forfeited the pledged commodity, enter the amount received on this line. In the case of an election, attach to your return a statement showing details of the loan. You must continue to report similar loans as income until you receive permission from the Commissioner to change your method of accounting.

Commodity Futures.—Purchase or sales contracts entered into solely for protection against price fluctuations are a form of business insurance and are considered hedges. Any profit realized is ordinary income and is entered on Schedule F, line 26. If a loss is sustained from a closed futures contract, it is deductible as an ordinary and necessary business expense, and is shown as a negative figure on Schedule F, line 26. Purchase or sales contracts are not true hedges where they offset losses already sustained. Commodity futures contracts entered into with the hope of making a profit on the contract itself through favorable price fluctuations are considered speculation and these transactions are shown on Schedule D, Form 1040.

Expenses and Other Deductions

Hired Labor.—You can deduct amounts paid for farm labor. Do not deduct the value of your own labor or that of your family. Deduct only that part of the board which is purchased for hired labor. The value of products furnished by the farm and used in the board of hired labor is not deductible. Do not deduct amounts paid to those who did household work except to the extent their services are used in boarding and otherwise caring for farm laborers.

Repairs and Maintenance.—You can deduct amounts paid for repairs and maintenance of farm buildings (except your dwelling), farm machinery and equipment; and the cost of ordinary tools of short life or small cost, such as shovels, rakes, etc. Include in this deduction the total amount of repairs from Form 4832 if the Class Life (ADR) System of depreciation is used.

Interest.—Generally, a cash basis taxpayer, who in 1976 prepaid interest allocable to any period after 1976, can only deduct the amount allocable to 1976. However, if the prepayment is required by a binding contract or written loan commitment that existed on September 16, 1975 (and at all times thereafter), such prepaid interest is deductible if paid in 1976, if the deduction of such interest would not materially distort income. See Publication 17, Your Federal Income Tax, Chapter 22.

Rent of Farm, Part of Farm, or Pasture.—You can deduct rent paid in cash. If you are a tenant farmer paying rent to your landlord in the form of crops raised on the farm under a crop share agreement, you cannot deduct as rent the value of the crop, but you can deduct amounts paid in raising the crop.

Taxes.—You can deduct certain State and local taxes. (State income taxes are deductible only on Schedule A (Form 1040). See Publication 225.) Do not deduct Federal income taxes; estate, inheritance, legacy, succession, and gift taxes; nor taxes assessed for any improvements or betterment. Do not deduct taxes on your dwelling or household property and other taxes not related to the business of farming.

Conservation Expenses.—You can deduct certain amounts spent (including any amount paid on an assessment levied by a soil or water conservation or drainage district to recover the amount the district spent) for soil or water conservation and the prevention of erosion on land you use.

The allowable deduction for any one year cannot exceed 25 percent of your gross income from farming (excluding certain gains from sales of assets such as farm machinery or from the disposition of land). But any excess can be carried over to the following years with the same limit applying to those years. See Publication 225.

Land Clearing.—You can deduct amounts spent for clearing land to make it suitable for farming. This deduction cannot be more than 25 percent of taxable income from farming, or \$5,000, whichever is less.

Retirement Plans, etc.

Line 48.—Enter the amount you claim as a deduction for contributions to a pension, profit-sharing or annuity plan, or plans, for the benefit of your employees. If the plan includes you as a self-employed person, enter contributions made as an employer on your behalf (but not voluntary contributions you made as an employee) on Form 1040, line 40b, instead of on Schedule F, line 48.

Sole proprietors who have Keogh (H.R. 10) plans should file Form 5500-K or Form 5500 for such plans. Do not attach to your Form 1040.

Partners are not required to file returns for Keogh plans in which they participate. However, partnerships are required to file Form 5500, Form 5500-C, or 5500-K to report on Keogh plans.

Complete a Form 5500-K for each plan with fewer than 100 participants and with at least one owner-employee and file as a separate return. Complete a Form 5500-C for each plan with fewer than 100 participants and no owner-employee participant and file as a separate return. Complete a Form 5500 for each plan with 100 or more participants and file as a separate return. File these forms on or before the last day of the 7th month following the close of your taxable year.

Line 49.—Enter the amount of your contributions to employee benefit programs that

are not an incidental part of a pension or profit-sharing plan included on line 48. Contributions to employee benefit programs that are to be reported on this line include insurance, health, and welfare programs.

Automobile Expenses, Special Rule.—See page 11 for optional method of figuring deductible automobile expenses.

Other Farm Expenses.—Include such items as advertising, stationery, stamps, account books, other office supplies, etc.

Losses of property included in your inventory are taken care of by the reduced amount of the inventory at the end of the year. The loss of a prospective crop by frost, storm, flood, or fire is not deductible. When using the cash method, the value of animals you raised that died is not deductible. For animals you bought that died, the cost less depreciation allowed or allowable is deductible if not compensated by insurance or otherwise. Do not deduct personal losses.

Planting and Developing Citrus and Almond Groves.—Charge to capital account expenses for the planting, cultivation, maintenance, or development of any citrus and almond grove (or part of such grove), incurred before the close of the fourth taxable year beginning with the taxable year in which trees were planted. See Publication 225.

Depreciation.—You can deduct an allowance for the depreciation of buildings, improvements, machinery, or other farm equipment of a permanent nature. Similar assets may be grouped together as one item for reporting purposes in the depreciation schedule in Schedule F. In figuring depreciation, do not include the value of land. Do not claim depreciation on livestock or any other property included in your inventory. You can claim depreciation on livestock not included in your inventory of livestock bought or raised for sale if you acquired them for work, breeding, or dairy purposes.

Class Life (ADR) System and Guideline Class Life System.—If you figure depreciation by using the Class Life (ADR) System for assets put in service after December 31, 1970 or the Guideline Class Life System for assets put in service before January 1, 1971, you must file Form 4832 (Class Life (ADR) System) or Form 5006 (Guideline Class Life System). For more information, obtain Instructions for Form 4832, Form 5006, and Publication 534, Tax Information on Depreciation.

See instructions on the back of Form 4562 for more detailed information about methods of computing depreciation, other than the depreciation rules mentioned above.

Income from farming is subject to self-employment tax. (See Schedule SE.) If you filed Form 4029, do not file Schedule SE. Instead, write "Exempt—Form 4029" on Form 1040, line 58.

Additional Information Available.—You can obtain Publication 225, Farmer's Tax Guide, without cost from your county agricultural agent or Internal Revenue Service office.

1976 Tax Table

Based on Taxable Income For Persons with Taxable Incomes of \$20,000 or less

Read down the income columns until you find the line covering the taxable income you entered on line 47. Then read

across that line until you find the column heading that describes your status. Enter the tax you find there on line 16.

Note: If you are a qualifying widow(er) use the "Married filing jointly" column to find your tax. (See page 7 of instructions.)

If line 47 (taxable income) is—		And you are—				If line 47 (taxable income) is—		And you are—				If line 47 (taxable income) is—		And you are—			
Over	But not over	Single	Married filing separately	Head of a household	Married filing jointly *	Over	But not over	Single	Married filing separately	Head of a household	Married filing jointly *	Over	But not over	Single	Married filing separately	Head of a household	Married filing jointly *
Your tax is—		Your tax is—				Your tax is—		Your tax is—				Your tax is—		Your tax is—			
0	4	0	0	0	0	1,375	1,400	207	207	202	198	2,775	2,800	460	460	442	416
4	25	2	2	2	2	1,400	1,425	211	211	206	202	2,800	2,825	464	464	446	420
25	50	5	5	5	5	1,425	1,450	215	215	210	206	2,825	2,850	469	469	451	424
50	75	9	9	9	9	1,450	1,475	219	219	214	209	2,850	2,875	474	474	455	428
75	100	12	12	12	12	1,475	1,500	223	223	218	213	2,875	2,900	479	479	460	432
100	125	16	16	16	16	1,500	1,525	227	227	222	217	2,900	2,925	483	483	464	436
125	150	19	19	19	19	1,525	1,550	231	231	226	221	2,925	2,950	488	488	469	440
150	175	23	23	23	23	1,550	1,575	236	236	230	224	2,950	2,975	493	493	473	444
175	200	26	26	26	26	1,575	1,600	240	240	234	228	2,975	3,000	498	498	478	448
200	225	30	30	30	30	1,600	1,625	244	244	238	232	3,000	3,050	505	505	485	454
225	250	33	33	33	33	1,625	1,650	248	248	242	236	3,050	3,100	514	514	494	463
250	275	37	37	37	37	1,650	1,675	253	253	246	239	3,100	3,150	524	524	503	471
275	300	40	40	40	40	1,675	1,700	257	257	250	243	3,150	3,200	533	533	512	480
300	325	44	44	44	44	1,700	1,725	261	261	254	247	3,200	3,250	543	543	521	488
325	350	47	47	47	47	1,725	1,750	265	265	258	251	3,250	3,300	552	552	530	497
350	375	51	51	51	51	1,750	1,775	270	270	262	254	3,300	3,350	562	562	539	505
375	400	54	54	54	54	1,775	1,800	274	274	266	258	3,350	3,400	571	571	548	514
400	425	58	58	58	58	1,800	1,825	278	278	270	262	3,400	3,450	581	581	557	522
425	450	61	61	61	61	1,825	1,850	282	282	274	266	3,450	3,500	590	590	566	531
450	475	65	65	65	65	1,850	1,875	287	287	278	269	3,500	3,550	600	600	575	539
475	500	68	68	68	68	1,875	1,900	291	291	282	273	3,550	3,600	609	609	584	548
500	525	72	72	72	72	1,900	1,925	295	295	286	277	3,600	3,650	619	619	593	556
525	550	76	76	75	75	1,925	1,950	299	299	290	281	3,650	3,700	628	628	602	565
550	575	79	79	79	79	1,950	1,975	304	304	294	284	3,700	3,750	638	638	611	573
575	600	83	83	82	82	1,975	2,000	308	308	298	288	3,750	3,800	647	647	620	582
600	625	87	87	86	86	2,000	2,025	312	312	302	292	3,800	3,850	657	657	629	590
625	650	91	91	89	89	2,025	2,050	317	317	307	296	3,850	3,900	666	666	638	599
650	675	94	94	93	93	2,050	2,075	322	322	311	300	3,900	3,950	676	676	647	607
675	700	98	98	96	96	2,075	2,100	327	327	316	304	3,950	4,000	685	685	656	616
700	725	102	102	100	100	2,100	2,125	331	331	320	308	4,000	4,050	695	696	665	625
725	750	106	106	103	103	2,125	2,150	336	336	325	312	4,050	4,100	706	707	674	634
750	775	109	109	107	107	2,150	2,175	341	341	329	316	4,100	4,150	716	718	684	644
775	800	113	113	110	110	2,175	2,200	346	346	334	320	4,150	4,200	727	729	693	653
800	825	117	117	114	114	2,200	2,225	350	350	338	324	4,200	4,250	737	740	703	663
825	850	121	121	117	117	2,225	2,250	355	355	343	328	4,250	4,300	748	751	712	672
850	875	124	124	121	121	2,250	2,275	360	360	347	332	4,300	4,350	758	762	722	682
875	900	128	128	124	124	2,275	2,300	365	365	352	336	4,350	4,400	769	773	731	691
900	925	132	132	128	128	2,300	2,325	369	369	356	340	4,400	4,450	779	784	741	701
925	950	136	136	131	131	2,325	2,350	374	374	361	344	4,450	4,500	790	795	750	710
950	975	139	139	135	135	2,350	2,375	379	379	365	348	4,500	4,550	800	806	760	720
975	1,000	143	143	138	138	2,375	2,400	384	384	370	352	4,550	4,600	811	817	769	729
1,000	1,025	147	147	142	142	2,400	2,425	388	388	374	356	4,600	4,650	821	828	779	739
1,025	1,050	151	151	146	146	2,425	2,450	393	393	379	360	4,650	4,700	832	839	788	748
1,050	1,075	155	155	150	149	2,450	2,475	398	398	383	364	4,700	4,750	842	850	798	758
1,075	1,100	159	159	154	153	2,475	2,500	403	403	388	368	4,750	4,800	853	861	807	767
1,100	1,125	163	163	158	157	2,500	2,525	407	407	392	372	4,800	4,850	863	872	817	777
1,125	1,150	167	167	162	161	2,525	2,550	412	412	397	376	4,850	4,900	874	883	826	786
1,150	1,175	171	171	166	164	2,550	2,575	417	417	401	380	4,900	4,950	884	894	836	796
1,175	1,200	175	175	170	168	2,575	2,600	422	422	406	384	4,950	5,000	895	905	845	805
1,200	1,225	179	179	174	172	2,600	2,625	426	426	410	388	5,000	5,050	905	916	855	815
1,225	1,250	183	183	178	176	2,625	2,650	431	431	415	392	5,050	5,100	916	927	864	824
1,250	1,275	187	187	182	179	2,650	2,675	436	436	419	396	5,100	5,150	926	938	874	834
1,275	1,300	191	191	186	183	2,675	2,700	441	441	424	400	5,150	5,200	937	949	883	843
1,300	1,325	195	195	190	187	2,700	2,725	445	445	428	404	5,200	5,250	947	960	893	853
1,325	1,350	199	199	194	191	2,725	2,750	450	450	433	408	5,250	5,300	958	971	902	862
1,350	1,375	203	203	198	194	2,750	2,775	455	455	437	412	5,300	5,350	968	982	912	872

* This column is to be used by a qualifying widow(er).

If line 47 (taxable income) is—		And you are—				If line 47 (taxable income) is—		And you are—				If line 47 (taxable income) is—		And you are—			
Over	But not over	Single	Married filing separately	Head of a household	Married filing jointly *	Over	But not over	Single	Married filing separately	Head of a household	Married filing jointly *	Over	But not over	Single	Married filing separately	Head of a household	Married filing jointly *
		Your tax is—						Your tax is—						Your tax is—			
5,350	5,400	979	993	921	881	8,550	8,600	1,734	1,791	1,612	1,507	11,750	11,800	2,569	2,758	2,384	2,211
5,400	5,450	989	1,004	931	891	8,600	8,650	1,746	1,805	1,624	1,518	11,800	11,850	2,583	2,774	2,396	2,222
5,450	5,500	1,000	1,015	940	900	8,650	8,700	1,759	1,819	1,635	1,529	11,850	11,900	2,596	2,790	2,409	2,233
5,500	5,550	1,010	1,026	950	910	8,700	8,750	1,771	1,833	1,647	1,540	11,900	11,950	2,610	2,806	2,421	2,244
5,550	5,600	1,021	1,037	959	919	8,750	8,800	1,784	1,847	1,658	1,551	11,950	12,000	2,623	2,822	2,434	2,255
5,600	5,650	1,031	1,048	969	929	8,800	8,850	1,796	1,861	1,670	1,562	12,000	12,050	2,637	2,839	2,447	2,266
5,650	5,700	1,042	1,059	978	938	8,850	8,900	1,809	1,875	1,681	1,573	12,050	12,100	2,652	2,857	2,460	2,279
5,700	5,750	1,052	1,070	988	948	8,900	8,950	1,821	1,889	1,693	1,584	12,100	12,150	2,666	2,875	2,474	2,291
5,750	5,800	1,063	1,081	997	957	8,950	9,000	1,834	1,903	1,704	1,595	12,150	12,200	2,681	2,893	2,487	2,304
5,800	5,850	1,073	1,092	1,007	967	9,000	9,050	1,846	1,917	1,716	1,606	12,200	12,250	2,695	2,911	2,501	2,316
5,850	5,900	1,084	1,103	1,016	976	9,050	9,100	1,859	1,931	1,727	1,617	12,250	12,300	2,710	2,929	2,514	2,329
5,900	5,950	1,094	1,114	1,026	986	9,100	9,150	1,871	1,945	1,739	1,628	12,300	12,350	2,724	2,947	2,528	2,341
5,950	6,000	1,105	1,125	1,035	995	9,150	9,200	1,884	1,959	1,750	1,639	12,350	12,400	2,739	2,965	2,541	2,354
6,000	6,050	1,116	1,136	1,046	1,005	9,200	9,250	1,896	1,973	1,762	1,650	12,400	12,450	2,753	2,983	2,555	2,366
6,050	6,100	1,128	1,149	1,057	1,014	9,250	9,300	1,909	1,987	1,773	1,661	12,450	12,500	2,768	3,001	2,568	2,379
6,100	6,150	1,140	1,161	1,068	1,024	9,300	9,350	1,921	2,001	1,785	1,672	12,500	12,550	2,782	3,019	2,582	2,391
6,150	6,200	1,152	1,174	1,079	1,033	9,350	9,400	1,934	2,015	1,796	1,683	12,550	12,600	2,797	3,037	2,595	2,404
6,200	6,250	1,164	1,186	1,090	1,043	9,400	9,450	1,946	2,029	1,808	1,694	12,600	12,650	2,811	3,055	2,609	2,416
6,250	6,300	1,176	1,199	1,101	1,052	9,450	9,500	1,959	2,043	1,819	1,705	12,650	12,700	2,826	3,073	2,622	2,429
6,300	6,350	1,188	1,211	1,112	1,062	9,500	9,550	1,971	2,057	1,831	1,716	12,700	12,750	2,840	3,091	2,636	2,441
6,350	6,400	1,200	1,224	1,123	1,071	9,550	9,600	1,984	2,071	1,842	1,727	12,750	12,800	2,855	3,109	2,649	2,454
6,400	6,450	1,212	1,236	1,134	1,081	9,600	9,650	1,996	2,085	1,854	1,738	12,800	12,850	2,869	3,127	2,663	2,466
6,450	6,500	1,224	1,249	1,145	1,090	9,650	9,700	2,009	2,099	1,865	1,749	12,850	12,900	2,884	3,145	2,676	2,479
6,500	6,550	1,236	1,261	1,156	1,100	9,700	9,750	2,021	2,113	1,877	1,760	12,900	12,950	2,898	3,163	2,690	2,491
6,550	6,600	1,248	1,274	1,167	1,109	9,750	9,800	2,034	2,127	1,888	1,771	12,950	13,000	2,913	3,181	2,703	2,504
6,600	6,650	1,260	1,286	1,178	1,119	9,800	9,850	2,046	2,141	1,900	1,782	13,000	13,050	2,927	3,199	2,717	2,516
6,650	6,700	1,272	1,299	1,189	1,128	9,850	9,900	2,059	2,155	1,911	1,793	13,050	13,100	2,942	3,217	2,730	2,529
6,700	6,750	1,284	1,311	1,200	1,138	9,900	9,950	2,071	2,169	1,923	1,804	13,100	13,150	2,956	3,235	2,744	2,541
6,750	6,800	1,296	1,324	1,211	1,147	9,950	10,000	2,084	2,183	1,934	1,815	13,150	13,200	2,971	3,253	2,757	2,554
6,800	6,850	1,308	1,336	1,222	1,157	10,000	10,050	2,097	2,198	1,946	1,826	13,200	13,250	2,985	3,271	2,771	2,566
6,850	6,900	1,320	1,349	1,233	1,166	10,050	10,100	2,110	2,214	1,959	1,837	13,250	13,300	3,000	3,289	2,784	2,579
6,900	6,950	1,332	1,361	1,244	1,176	10,100	10,150	2,124	2,230	1,971	1,848	13,300	13,350	3,014	3,307	2,798	2,591
6,950	7,000	1,344	1,374	1,255	1,185	10,150	10,200	2,137	2,246	1,984	1,859	13,350	13,400	3,029	3,325	2,811	2,604
7,000	7,050	1,356	1,386	1,266	1,195	10,200	10,250	2,151	2,262	1,996	1,870	13,400	13,450	3,043	3,343	2,825	2,616
7,050	7,100	1,368	1,399	1,277	1,204	10,250	10,300	2,164	2,278	2,009	1,881	13,450	13,500	3,058	3,361	2,838	2,629
7,100	7,150	1,380	1,411	1,288	1,214	10,300	10,350	2,178	2,294	2,021	1,892	13,500	13,550	3,072	3,379	2,852	2,641
7,150	7,200	1,392	1,424	1,299	1,223	10,350	10,400	2,191	2,310	2,034	1,903	13,550	13,600	3,087	3,397	2,865	2,654
7,200	7,250	1,404	1,436	1,310	1,233	10,400	10,450	2,205	2,326	2,046	1,914	13,600	13,650	3,101	3,415	2,879	2,666
7,250	7,300	1,416	1,449	1,321	1,242	10,450	10,500	2,218	2,342	2,059	1,925	13,650	13,700	3,116	3,433	2,892	2,679
7,300	7,350	1,428	1,461	1,332	1,252	10,500	10,550	2,232	2,358	2,071	1,936	13,700	13,750	3,130	3,451	2,906	2,691
7,350	7,400	1,440	1,474	1,343	1,261	10,550	10,600	2,245	2,374	2,084	1,947	13,750	13,800	3,145	3,469	2,919	2,704
7,400	7,450	1,452	1,486	1,354	1,271	10,600	10,650	2,259	2,390	2,096	1,958	13,800	13,850	3,159	3,487	2,933	2,716
7,450	7,500	1,464	1,499	1,365	1,280	10,650	10,700	2,272	2,406	2,109	1,969	13,850	13,900	3,174	3,505	2,946	2,729
7,500	7,550	1,476	1,511	1,376	1,290	10,700	10,750	2,286	2,422	2,121	1,980	13,900	13,950	3,188	3,523	2,960	2,741
7,550	7,600	1,488	1,524	1,387	1,299	10,750	10,800	2,299	2,438	2,134	1,991	13,950	14,000	3,203	3,541	2,973	2,754
7,600	7,650	1,500	1,536	1,398	1,309	10,800	10,850	2,313	2,454	2,146	2,002	14,000	14,050	3,218	3,560	2,987	2,766
7,650	7,700	1,512	1,549	1,409	1,318	10,850	10,900	2,326	2,470	2,159	2,013	14,050	14,100	3,233	3,579	3,001	2,779
7,700	7,750	1,524	1,561	1,420	1,328	10,900	10,950	2,340	2,486	2,171	2,024	14,100	14,150	3,249	3,599	3,015	2,791
7,750	7,800	1,536	1,574	1,431	1,337	10,950	11,000	2,353	2,502	2,184	2,035	14,150	14,200	3,264	3,618	3,029	2,804
7,800	7,850	1,548	1,586	1,442	1,347	11,000	11,050	2,367	2,518	2,196	2,046	14,200	14,250	3,280	3,638	3,043	2,816
7,850	7,900	1,560	1,599	1,453	1,356	11,050	11,100	2,380	2,534	2,209	2,057	14,250	14,300	3,295	3,657	3,057	2,829
7,900	7,950	1,572	1,611	1,464	1,366	11,100	11,150	2,394	2,550	2,221	2,068	14,300	14,350	3,311	3,677	3,071	2,841
7,950	8,000	1,584	1,624	1,475	1,375	11,150	11,200	2,407	2,566	2,234	2,079	14,350	14,400	3,326	3,696	3,085	2,854
8,000	8,050	1,596	1,637	1,486	1,386	11,200	11,250	2,421	2,582	2,246	2,090	14,400	14,450	3,342	3,716	3,099	2,866
8,050	8,100	1,609	1,651	1,497	1,397	11,250	11,300	2,434	2,598	2,259	2,101	14,450	14,500	3,357	3,735	3,113	2,879
8,100	8,150	1,621	1,665	1,509	1,408	11,300	11,350	2,448	2,614	2,271	2,112	14,500	14,550	3,373	3,755	3,127	2,891
8,150	8,200	1,634	1,679	1,520	1,419	11,350	11,400	2,461	2,630	2,284	2,123	14,550	14,600	3,388	3,774	3,141	2,904
8,200	8,250	1,646	1,693	1,532	1,430	11,400	11,450	2,475	2,646	2,296	2,134	14,600	14,650	3,404	3,794	3,155	2,916
8,250	8,300	1,659	1,707	1,543	1,441	11,450	11,500	2,488	2,662	2,309	2,145	14,650	14,700	3,419	3,813	3,169	2,929
8,300	8,350	1,671	1,721	1,555	1,452	11,500	11,550	2,502	2,678	2,321	2,156	14,700	14,750	3,435	3,833	3,183	2,941
8,350	8,400	1,684	1,735	1,566	1,463	11,550	11,600	2,515	2,694	2,334	2,167	14,750	14,800	3,450	3,852	3,197	2,954
8,400	8,450	1,696	1,749	1,578	1,474	11,600	11,650	2,529	2,710	2,346	2,178	14,800	14,850	3,466	3,872	3,211	2,966
8,450	8,500	1,709	1,763	1,589	1,485	11,650	11,700	2,542	2,726	2,359	2,189	14,850	14,900	3,481	3,891	3,225	2,979
8,500	8,550	1,721	1,777	1,601	1,496	11,700	11,750	2,556	2,742	2,371	2,200	14,900	14,950	3,497	3,911	3,239	2,991

If line 47 (taxable income) is—		And you are—				If line 47 (taxable income) is—		And you are—				If line 47 (taxable income) is—		And you are—			
Over	But not over	Single	Married filing separately	Head of a household	Married filing jointly *	Over	But not over	Single	Married filing separately	Head of a household	Married filing jointly *	Over	But not over	Single	Married filing separately	Head of a household	Married filing jointly *
Your tax is—		Your tax is—				Your tax is—		Your tax is—				Your tax is—		Your tax is—			
14,950	15,000	3,512	3,930	3,253	3,004	16,750	16,800	4,094	4,656	3,780	3,477	18,550	18,600	4,717	5,429	4,344	3,981
15,000	15,050	3,528	3,950	3,267	3,016	16,800	16,850	4,111	4,677	3,796	3,491	18,600	18,650	4,735	5,451	4,360	3,995
15,050	15,100	3,543	3,969	3,281	3,029	16,850	16,900	4,128	4,698	3,811	3,505	18,650	18,700	4,753	5,474	4,376	4,009
15,100	15,150	3,559	3,989	3,295	3,041	16,900	16,950	4,145	4,719	3,827	3,519	18,700	18,750	4,771	5,496	4,392	4,023
15,150	15,200	3,574	4,008	3,309	3,054	16,950	17,000	4,162	4,740	3,842	3,533	18,750	18,800	4,789	5,519	4,408	4,037
15,200	15,250	3,590	4,028	3,323	3,066	17,000	17,050	4,179	4,761	3,858	3,547	18,800	18,850	4,807	5,541	4,424	4,051
15,250	15,300	3,605	4,047	3,337	3,079	17,050	17,100	4,196	4,782	3,873	3,561	18,850	18,900	4,825	5,564	4,440	4,065
15,300	15,350	3,621	4,067	3,351	3,091	17,100	17,150	4,213	4,803	3,889	3,575	18,900	18,950	4,843	5,586	4,456	4,079
15,350	15,400	3,636	4,086	3,365	3,104	17,150	17,200	4,230	4,824	3,904	3,589	18,950	19,000	4,861	5,609	4,472	4,093
15,400	15,450	3,652	4,106	3,379	3,116	17,200	17,250	4,247	4,845	3,920	3,603	19,000	19,050	4,879	5,631	4,488	4,107
15,450	15,500	3,667	4,125	3,393	3,129	17,250	17,300	4,264	4,866	3,935	3,617	19,050	19,100	4,897	5,654	4,504	4,121
15,500	15,550	3,683	4,145	3,407	3,141	17,300	17,350	4,281	4,887	3,951	3,631	19,100	19,150	4,915	5,676	4,520	4,135
15,550	15,600	3,698	4,164	3,421	3,154	17,350	17,400	4,298	4,908	3,966	3,645	19,150	19,200	4,933	5,699	4,536	4,149
15,600	15,650	3,714	4,184	3,435	3,166	17,400	17,450	4,315	4,929	3,982	3,659	19,200	19,250	4,951	5,721	4,552	4,163
15,650	15,700	3,729	4,203	3,449	3,179	17,450	17,500	4,332	4,950	3,997	3,673	19,250	19,300	4,969	5,744	4,568	4,177
15,700	15,750	3,745	4,223	3,463	3,191	17,500	17,550	4,349	4,971	4,013	3,687	19,300	19,350	4,987	5,766	4,584	4,191
15,750	15,800	3,760	4,242	3,477	3,204	17,550	17,600	4,366	4,992	4,028	3,701	19,350	19,400	5,005	5,789	4,600	4,205
15,800	15,850	3,776	4,262	3,491	3,216	17,600	17,650	4,383	5,013	4,044	3,715	19,400	19,450	5,023	5,811	4,616	4,219
15,850	15,900	3,791	4,281	3,505	3,229	17,650	17,700	4,400	5,034	4,059	3,729	19,450	19,500	5,041	5,834	4,632	4,233
15,900	15,950	3,807	4,301	3,519	3,241	17,700	17,750	4,417	5,055	4,075	3,743	19,500	19,550	5,059	5,856	4,648	4,247
15,950	16,000	3,822	4,320	3,533	3,254	17,750	17,800	4,434	5,076	4,090	3,757	19,550	19,600	5,077	5,879	4,664	4,261
16,000	16,050	3,839	4,341	3,548	3,267	17,800	17,850	4,451	5,097	4,106	3,771	19,600	19,650	5,095	5,901	4,680	4,275
16,050	16,100	3,856	4,362	3,563	3,281	17,850	17,900	4,468	5,118	4,121	3,785	19,650	19,700	5,113	5,924	4,696	4,289
16,100	16,150	3,873	4,383	3,579	3,295	17,900	17,950	4,485	5,139	4,137	3,799	19,700	19,750	5,131	5,946	4,712	4,303
16,150	16,200	3,890	4,404	3,594	3,309	17,950	18,000	4,502	5,160	4,152	3,813	19,750	19,800	5,149	5,969	4,728	4,317
16,200	16,250	3,907	4,425	3,610	3,323	18,000	18,050	4,519	5,181	4,168	3,827	19,800	19,850	5,167	5,991	4,744	4,331
16,250	16,300	3,924	4,446	3,625	3,337	18,050	18,100	4,537	5,204	4,184	3,841	19,850	19,900	5,185	6,014	4,760	4,345
16,300	16,350	3,941	4,467	3,641	3,351	18,100	18,150	4,555	5,226	4,200	3,855	19,900	19,950	5,203	6,036	4,776	4,359
16,350	16,400	3,958	4,488	3,656	3,365	18,150	18,200	4,573	5,249	4,216	3,869	19,950	20,000	5,221	6,059	4,792	4,373
16,400	16,450	3,975	4,509	3,672	3,379	18,200	18,250	4,591	5,271	4,232	3,883						
16,450	16,500	3,992	4,530	3,687	3,393	18,250	18,300	4,609	5,294	4,248	3,897						
16,500	16,550	4,009	4,551	3,703	3,407	18,300	18,350	4,627	5,316	4,264	3,911						
16,550	16,600	4,026	4,572	3,718	3,421	18,350	18,400	4,645	5,339	4,280	3,925						
16,600	16,650	4,043	4,593	3,734	3,435	18,400	18,450	4,663	5,361	4,296	3,939						
16,650	16,700	4,060	4,614	3,749	3,449	18,450	18,500	4,681	5,384	4,312	3,953						
16,700	16,750	4,077	4,635	3,765	3,463	18,500	18,550	4,699	5,406	4,328	3,967						

* This column is to be used by a qualifying widow(er).

1976 Tax Rate Schedules

If Form 1040, line 47 is more than \$20,000, figure your tax on the amount on Form 1040, line 47, by using the appropriate Tax Rate Schedule on this page. Enter tax on Form 1040, line 16.

SCHEDULE X—Single Taxpayers Not Qualifying for Rates in Schedule Y or Z

Use this schedule if you checked the box on Form 1040, line 1—

If the amount on Form 1040, line 47, is:

Over—	But not over—	of the amount over—
\$20,000	\$5,230+38%	\$20,000
\$22,000	\$5,990+40%	\$22,000
\$26,000	\$7,590+45%	\$26,000
\$32,000	\$10,290+50%	\$32,000
\$38,000	\$13,290+55%	\$38,000
\$44,000	\$16,590+60%	\$44,000
\$50,000	\$20,190+62%	\$50,000
\$60,000	\$26,390+64%	\$60,000
\$70,000	\$32,790+66%	\$70,000
\$80,000	\$39,390+68%	\$80,000
\$90,000	\$46,190+69%	\$90,000
\$100,000	\$53,090+70%	\$100,000

SCHEDULE Y—Married Taxpayers and Qualifying Widows and Widowers If you are a married person living apart from your spouse, see page 7 of the instructions to see if you can be considered to be "unmarried" for purposes of using Schedule X or Z.

Use this schedule if you checked the box on Form 1040, line 2 or 5—

Married Taxpayers Filing Joint Returns and Qualifying Widows and Widowers (See page 7)

If the amount on Form 1040, line 47, is:

Over—	But not over—	of the amount over—
\$20,000	\$4,380+32%	\$20,000
\$24,000	\$5,660+36%	\$24,000
\$28,000	\$7,100+39%	\$28,000
\$32,000	\$8,660+42%	\$32,000
\$36,000	\$10,340+45%	\$36,000
\$40,000	\$12,140+48%	\$40,000
\$44,000	\$14,060+50%	\$44,000
\$52,000	\$18,060+53%	\$52,000
\$64,000	\$24,420+55%	\$64,000
\$76,000	\$31,020+58%	\$76,000
\$88,000	\$37,980+60%	\$88,000
\$100,000	\$45,180+62%	\$100,000
\$120,000	\$57,580+64%	\$120,000
\$140,000	\$70,380+66%	\$140,000
\$160,000	\$83,580+68%	\$160,000
\$180,000	\$97,180+69%	\$180,000
\$200,000	\$110,980+70%	\$200,000

SCHEDULE Z—Unmarried (or legally separated) Taxpayers Who Qualify as Heads of Household (See page 7)

Use this schedule if you checked the box on Form 1040, line 4—

If the amount on Form 1040, line 47, is:

Over—	But not over—	of the amount over—
\$20,000	\$22,000	\$4,800+35%
\$24,000	\$24,000	\$5,500+36%
\$26,000	\$26,000	\$6,220+38%
\$28,000	\$28,000	\$6,980+41%
\$32,000	\$32,000	\$7,800+42%
\$36,000	\$36,000	\$9,480+45%
\$38,000	\$38,000	\$11,280+48%
\$40,000	\$40,000	\$12,240+51%
\$44,000	\$44,000	\$13,260+52%
\$50,000	\$50,000	\$15,340+55%
\$52,000	\$52,000	\$18,640+56%
\$64,000	\$64,000	\$19,760+58%
\$70,000	\$70,000	\$26,720+59%
\$76,000	\$76,000	\$30,260+61%
\$80,000	\$80,000	\$33,920+62%
\$88,000	\$88,000	\$36,400+63%
\$100,000	\$100,000	\$41,440+64%
\$120,000	\$120,000	\$49,120+66%
\$140,000	\$140,000	\$62,320+67%
\$160,000	\$160,000	\$75,720+68%
\$180,000	\$180,000	\$89,320+69%
\$180,000	\$180,000	\$103,120+70%

Use this schedule if you checked the box on Form 1040, line 3—

Married Taxpayers Filing Separate Returns

If the amount on Form 1040, line 47, is:

Over—	But not over—	of the amount over—
\$20,000	\$22,000	\$6,070+48%
\$22,000	\$25,000	\$7,030+50%
\$26,000	\$32,000	\$9,030+53%
\$32,000	\$38,000	\$12,210+55%
\$38,000	\$44,000	\$15,510+58%
\$44,000	\$50,000	\$18,990+60%
\$50,000	\$60,000	\$22,590+62%
\$60,000	\$70,000	\$28,790+64%
\$70,000	\$80,000	\$35,190+66%
\$80,000	\$90,000	\$41,790+68%
\$90,000	\$100,000	\$48,590+69%
\$100,000	\$100,000	\$55,490+70%

Take Stock in America



Buy U.S. Savings Bonds
Where you work or bank

1976 Optional State Sales Tax Tables

If you itemize your deductions on Schedule A, you can use these tables to determine the general sales tax to enter on line 14. If your records show that you paid more than the amount shown you can deduct the larger amount. The sales tax paid on the purchase of an automobile (truck) may be added to the table amount except in the District of Columbia, Vermont and West Virginia where the deduction is limited to the tax paid at the general sales tax rate. See page 13 for complete list of items on which sales taxes can be added to the table amount.

If your income was more than \$19,999 but less than \$100,000, compute your deduction as follows:

Step 1—For the first \$19,999, find the amount for your family size in the table for your State.

Step 2—For each \$1,000 or fraction of it of income over \$19,999, but less than \$50,000, add 2 percent of the amount you determined in Step 1, above.

Step 3—For each \$1,000 or fraction of it of income over \$49,999, but less than \$100,000, add 1 percent of the amount you determined in Step 1, above.

If your income was \$100,000 or more, your deduction is 210 percent of the amount determined in Step 1, above.

Income 1	Alabama 2						Arizona 3						Arkansas 2						California 4					
	Family size (persons)					Over 5	Family size (persons)					Over 5	Family size (persons)					Over 5	Family size (persons)					Over 5
	1	2	3&4	5	5		1	2	3	4	5		5	1	2	3&4	5		5	1&2	3&4	5	5	
Under \$3,000	\$45	\$53	\$66	\$71	\$72	\$51	\$67	\$70	\$84	\$84	\$85	\$38	\$45	\$54	\$58	\$59	\$51	\$61	\$68	\$68				
\$3,000-\$3,999	55	66	81	89	91	63	82	86	100	101	105	47	56	67	73	74	66	78	87	87				
\$4,000-\$4,999	64	79	95	105	108	73	95	101	114	118	123	54	66	78	86	88	80	93	104	104				
\$5,000-\$5,999	73	90	108	120	124	82	107	115	127	134	140	61	76	88	98	101	93	107	120	120				
\$6,000-\$6,999	81	101	120	134	139	91	118	127	139	149	156	67	85	98	110	114	106	121	135	136				
\$7,000-\$7,999	88	111	131	147	154	99	128	139	150	163	171	73	93	108	121	126	118	134	149	152				
\$8,000-\$8,999	95	121	142	160	168	107	138	151	161	176	185	79	101	117	131	137	130	147	163	167				
\$9,000-\$9,999	102	130	152	172	181	114	147	162	171	189	199	84	109	125	141	148	141	159	176	181				
\$10,000-\$10,999	109	139	162	184	194	121	156	172	180	201	212	89	116	133	151	158	152	171	189	195				
\$11,000-\$11,999	115	148	171	195	207	128	165	182	189	213	225	94	123	141	160	168	163	183	202	209				
\$12,000-\$12,999	121	157	180	206	219	134	174	192	197	224	237	99	130	149	169	178	174	194	214	222				
\$13,000-\$13,999	127	165	189	217	231	140	182	201	205	235	249	104	137	156	178	188	184	205	226	235				
\$14,000-\$14,999	133	173	198	228	243	146	190	210	213	246	261	109	144	163	186	198	194	216	238	248				
\$15,000-\$15,999	139	181	207	238	254	152	197	219	221	256	272	113	151	170	194	207	204	227	249	260				
\$16,000-\$16,999	144	189	215	248	265	158	204	228	229	266	283	117	157	177	202	216	214	238	260	272				
\$17,000-\$17,999	149	197	223	258	276	164	211	237	237	276	294	121	163	184	210	225	224	248	271	284				
\$18,000-\$18,999	154	204	231	268	287	169	218	245	245	286	305	125	169	190	218	234	233	258	282	296				
\$19,000-\$19,999	159	211	238	277	297	174	225	253	253	295	315	129	175	196	226	242	242	268	293	308				

Income 1	Colorado 3						Connecticut					Dist. of Columbia					Florida 2						Georgia 2						Hawaii					
	Family size (persons)					Over 5	Family size (persons)				Over 5	Family size (persons)				Over 5	Family size (persons)					Over 5	Family size (persons)					Over 5						
	1	2	3	4	5		1&2	3&4	5	5		1	2	3&4	5		5	1&2	3&4	5	5		1	2	3&4	5	5		1	2	3&4	5	5	
Under \$3,000	\$35	\$48	\$49	\$59	\$59	\$60	\$44	\$51	\$61	\$61	\$34	\$39	\$49	\$53	\$53	\$30	\$40	\$44	\$44	\$40	\$49	\$59	\$65	\$65	\$69	\$87	\$91	\$101	\$101					
\$3,000-\$3,999	44	58	61	71	73	75	59	68	79	79	41	50	61	66	66	40	51	56	56	50	61	72	80	80	85	105	111	123	123					
\$4,000-\$4,999	51	68	72	82	85	88	73	83	96	96	48	60	73	78	78	50	62	68	68	58	72	85	94	94	99	120	129	143	144					
\$5,000-\$5,999	58	76	82	91	97	100	87	98	112	112	54	69	83	90	91	59	72	79	79	65	82	96	106	107	112	135	145	161	163					
\$6,000-\$6,999	64	84	91	100	107	112	101	113	127	127	60	78	92	101	101	68	81	89	89	72	91	106	118	120	123	148	159	178	181					
\$7,000-\$7,999	70	92	100	109	117	123	114	127	142	142	66	87	101	111	112	76	90	99	100	79	100	116	129	133	134	160	173	193	198					
\$8,000-\$8,999	76	99	108	117	127	133	127	141	156	156	71	95	110	121	123	84	99	109	110	85	109	125	140	145	145	172	186	208	215					
\$9,000-\$9,999	81	106	116	124	136	143	140	154	170	171	76	103	119	130	134	92	108	118	120	91	117	134	150	157	155	183	199	222	230					
\$10,000-\$10,999	86	112	124	131	145	153	152	167	183	186	81	111	127	139	144	100	116	127	130	96	125	143	159	168	165	193	211	236	245					
\$11,000-\$11,999	91	118	132	138	154	163	164	180	196	201	86	119	135	148	154	108	124	136	140	102	133	151	169	179	174	203	222	249	260					
\$12,000-\$12,999	96	124	139	145	162	172	176	193	209	216	90	127	142	157	164	116	132	145	150	107	140	159	178	190	183	213	233	261	274					
\$13,000-\$13,999	101	130	146	151	170	181	188	205	222	230	94	135	149	166	174	124	140	154	159	112	147	167	187	200	192	222	244	273	287					
\$14,000-\$14,999	106	136	153	157	178	190	200	217	235	244	98	142	156	174	184	132	148	162	168	117	154	174	196	210	200	231	254	285	300					
\$15,000-\$15,999	110	141	160	163	186	198	212	229	247	258	102	149	163	182	194	140	155	170	177	122	161	181	204	220	208	240	264	296	313					
\$16,000-\$16,999	114	146	167	169	194	206	224	241	259	272	106	156	170	190	203	147	162	178	186	127	168	188	212	230	216	248	274	307	326					
\$17,000-\$17,999	118	151	173	175	201	214	236	253	271	286	110	163	177	198	212	154	169	186	195	132	174	195	220	240	224	256	284	318	338					
\$18,000-\$18,999	122	156	179	181	208	222	247	265	283	300	114	170	184	206	221	161	176	194	204	136	180	202	228	250	232	264	293	329	350					
\$19,000-\$19,999	126	161	185	186	215	230	258	277	294	314	118	176	190	213	230	168	183	201	213	140	186	208	235	259	239	272	302	339	362					

Income 1	Idaho						Illinois 5						Indiana						Iowa						Kansas 2					
	Family size (persons)					Over 5	Family size (persons)					Over 5	Family size (persons)					Over 5	Family size (persons)					Over 5						
	1	2	3	4	5		1	2	3	4	5		1	2	3&4	5	5		1&2	3,4&5	5	5	1		2	3	4	5	5	
Under \$3,000	\$34	\$45	\$47	\$57	\$57	\$58	\$54	\$70	\$80	\$92	\$92	\$97	\$37	\$41	\$47	\$51	\$51	\$30	\$35	\$35	\$41	\$51	\$56	\$64	\$64	\$67				
\$3,000-\$3,999	42	55	59	69	69	72	66	86	98	111	113	121	47	53	60	65	65	39	45	46	50	63	69	78	78	84				
\$4,000-\$4,999	49	64	69	79	82	85	77	100	115	128	133	142	56	63	72	78	78	47	54	56	58	74	82	90	92	100				
\$5,000-\$5,999	56	73	79	88	93	97	87	114	131	144	151	162	65	73	83	90	91	55	63	66	66	84	93	102	106	114				
\$6,000-\$6,999	62	81	88	97	104	109	97	126	145	158	168	181	73	83	94	101	103	62	72	76	73	93	104	112	118	127				
\$7,000-\$7,999	68	88	97	105	114	120	106	138	159	171	184	199	81	92	104	112	115	69	81	86	80	102	114	122	130	140				
\$8,000-\$8,999	74	95	105	113	124	130	115	149	172	184	199	216	89	101	114	123	127	76	89	95	86	110	124	132	142	153				
\$9,000-\$9,999	79	102	113	120	133	140	123	160	184	196	214	232	96	110	124	133	138	83	97	104	92	118	133	141	153	165				
\$10,000-\$10,999	84	109	121	127	142	150	131	170	196	208	228	248	103	118	133	143	149	89	105	113	98	125	142	150	163	176				
\$11,000-\$11,999	89	115	129	134	151	159	138	180	207	219	242	263	110	126	142	153	160	95	113	122	104	132	151	158	173	187				
\$12,000-\$12,999	94	121	136	140	159	168	145	190	218	230	255	277	117	134	151	163	171	101	120	131	109	139	159	166	183	198				
\$13,000-\$13,999	99	127	143	146	167	177	152	199	229	240	268	291	124	142	159	172	182	107	127	140	114	146	167	174	193	208				
\$14,000-\$14,999	104	133	150	152	175	186	159	208	240	250	281	305	130	150	167	181														

1976 Optional State Sales Tax Tables

If you itemize your deductions on Schedule A, you can use these tables to determine the general sales tax to enter on line 14. If your records show that you paid more than the amount shown, you can deduct the larger amount. The sales tax paid on the purchase of an automobile (truck) may be added to the table amount except in the District of Columbia, Vermont and West Virginia where the deduction is limited to the tax paid at the general sales tax rate. See page 13 for complete list of items on which sales taxes can be added to the table amount. If your income was more than \$19,999 but less than \$100,000, compute your deduction as follows:

Step 1—For the first \$19,999, find the amount for your family size in the table for your State.

Step 2—For each \$1,000 or fraction of it of income over \$19,999, but less than \$50,000, add 2 percent of the amount you determined in Step 1, above.

Step 3—For each \$1,000 or fraction of it of income over \$49,999, but less than \$100,000, add 1 percent of the amount you determined in Step 1, above.

If your income was \$100,000 or more, your deduction is 210 percent of the amount determined in Step 1, above.

Income 1	Mississippi					Missouri 2					Nebraska 2					Nevada 3							
	Family size (persons)					Family size (persons)					Family size (persons)					Family size (persons)							
	1	2	3&4	5	Over 5	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5			
Under \$3,000	\$70	\$83	\$100	\$109	\$109	\$37	\$48	\$52	\$59	\$59	\$63	\$32	\$41	\$46	\$52	\$53	\$56	\$38	\$51	\$53	\$65	\$65	\$67
\$3,000-\$3,999	86	104	124	135	135	45	58	65	72	74	79	39	51	57	63	65	70	47	62	66	78	79	82
\$4,000-\$4,999	100	123	144	159	159	53	68	76	83	87	93	46	59	67	73	77	82	55	72	77	89	92	96
\$5,000-\$5,999	113	141	163	181	182	59	77	86	94	99	106	52	67	76	83	87	94	62	81	88	99	104	109
\$6,000-\$6,999	125	158	181	201	204	65	85	95	103	111	118	57	74	84	91	97	105	69	90	98	108	116	121
\$7,000-\$7,999	136	173	198	220	225	71	93	104	112	122	130	62	81	92	99	107	115	75	98	107	116	127	133
\$8,000-\$8,999	147	188	214	238	246	77	100	113	121	132	141	67	87	100	107	116	125	81	105	116	124	137	144
\$9,000-\$9,999	157	203	230	256	266	83	107	121	129	142	152	72	93	107	114	124	135	87	112	125	132	147	154
\$10,000-\$10,999	167	217	244	273	285	88	114	129	137	151	162	77	99	114	121	132	144	92	119	133	139	156	164
\$11,000-\$11,999	176	230	258	289	304	93	121	137	145	160	172	81	105	121	127	140	153	97	126	141	146	165	174
\$12,000-\$12,999	185	243	272	305	322	98	127	144	152	169	182	85	110	127	133	148	162	102	133	149	153	174	183
\$13,000-\$13,999	194	256	285	320	340	103	133	151	159	178	191	89	115	133	139	156	170	107	139	156	159	182	192
\$14,000-\$14,999	202	269	298	335	358	107	139	158	166	187	200	93	120	139	145	163	178	112	145	163	165	190	201
\$15,000-\$15,999	210	281	311	350	375	111	145	165	173	195	209	97	125	145	151	170	186	117	151	170	171	198	210
\$16,000-\$16,999	218	293	323	364	392	115	151	172	179	203	218	101	130	151	157	177	194	122	157	177	177	206	219
\$17,000-\$17,999	226	305	335	378	408	119	156	177	185	211	227	105	135	157	163	184	202	126	163	184	184	214	227
\$18,000-\$18,999	234	316	347	392	424	123	161	185	191	219	235	108	140	162	168	190	209	130	168	191	191	222	235
\$19,000-\$19,999	241	327	359	405	440	127	166	191	197	226	243	111	144	167	173	196	216	134	173	197	197	229	243

Income 1	New Jersey		New Mexico 2			New York 4			North Carolina 5			North Dakota			Ohio 2			Oklahoma 2														
	Family size (persons)		Family size (persons)			Family size (persons)			Family size (persons)			Family size (persons)			Family size (persons)			Family size (persons)														
	4 or under	5 and over	1	2	3	4	5	1&2	3	4	5	1	2	3&4	5	1	2	3	4	5	1	2	3	4	5							
Under \$3,000	\$28	\$37	\$58	\$77	\$78	\$92	\$92	\$92	\$92	\$37	\$44	\$53	\$56	\$56	\$46	\$53	\$66	\$72	\$72	\$34	\$41	\$42	\$42	\$27	\$33	\$33	\$34	\$25	\$29	\$35	\$38	\$38
\$3,000-\$3,999	38	47	71	94	96	111	111	113	113	49	57	66	71	71	56	67	81	89	90	44	52	55	55	36	43	44	45	31	37	43	47	48
\$4,000-\$4,999	47	57	83	109	113	128	128	134	134	60	69	79	84	84	65	79	95	105	107	54	63	66	67	44	52	54	56	36	44	51	56	58
\$5,000-\$5,999	56	67	94	123	129	143	146	153	153	70	81	97	107	97	74	91	108	120	123	63	73	77	78	52	61	64	66	41	50	58	64	66
\$6,000-\$6,999	65	76	104	135	144	157	163	171	171	80	92	101	109	109	82	102	120	133	138	71	83	88	89	60	70	74	76	45	56	64	72	74
\$7,000-\$7,999	74	85	113	147	158	170	179	188	188	90	102	111	120	120	89	112	131	146	152	79	92	98	100	68	78	83	86	49	61	70	79	82
\$8,000-\$8,999	82	94	122	158	171	183	194	204	204	99	112	121	131	131	96	122	141	159	166	87	101	108	111	75	86	92	96	53	66	76	86	89
\$9,000-\$9,999	90	102	131	169	184	195	209	220	220	108	122	130	141	142	103	131	151	171	179	95	110	118	121	82	94	101	105	57	71	82	93	96
\$10,000-\$10,999	98	110	139	179	196	206	223	235	235	117	132	139	151	154	109	140	161	182	192	103	118	127	131	89	102	110	114	60	76	87	99	103
\$11,000-\$11,999	106	118	147	189	208	217	237	250	250	126	142	148	161	165	115	149	171	193	204	110	126	136	141	96	110	119	123	64	81	92	105	110
\$12,000-\$12,999	114	126	155	199	220	227	250	264	264	135	151	157	171	176	121	158	180	204	216	117	134	145	151	103	117	128	132	68	86	97	111	117
\$13,000-\$13,999	122	134	162	208	231	237	263	278	278	144	160	165	180	187	127	167	189	215	228	124	142	154	161	110	124	136	141	71	91	102	117	123
\$14,000-\$14,999	130	141	169	217	242	247	276	291	291	152	169	173	189	198	133	175	197	225	239	131	150	163	171	117	131	144	150	74	96	107	123	129
\$15,000-\$15,999	138	148	176	226	253	256	289	304	304	160	178	181	198	209	139	183	205	235	250	138	158	172	180	124	138	152	159	77	100	112	129	135
\$16,000-\$16,999	146	155	183	235	263	265	301	317	317	168	187	189	207	220	144	191	213	245	261	145	165	181	189	130	145	160	168	80	104	117	134	141
\$17,000-\$17,999	154	162	190	243	273	274	313	330	330	176	196	196	215	230	149	199	221	254	272	152	172	189	198	136	152	168	177	83	108	121	139	147
\$18,000-\$18,999	161	169	196	251	283	283	324	342	342	184	204	204	223	240	154	207	229	263	282	158	179	197	207	142	159	176	185	86	112	125	144	153
\$19,000-\$19,999	168	176	202	259	293	293	335	354	354	192	212	212	231	250	159	214	237	272	292	164	186	205	216	148	165	184	193	88	116	129	149	159

Income 1	Pennsylvania		Rhode Island			South Carolina			South Dakota 6			Tennessee 2			Texas 2														
	Family size (persons)		Family size (persons)			Family size (persons)			Family size (persons)			Family size (persons)			Family size (persons)														
	4 or under	5 and over	1&2	3	4	5	Over 5	1	2	3&4	5	Over 5	1	2	3	4	5	1	2	3	4	5							
Under \$3,000	\$24	\$31	\$39	\$47	\$56	\$57	\$57	\$57	\$57	\$52	\$61	\$73	\$80	\$80	\$52	\$66	\$71	\$81	\$81	\$83	\$52	\$60	\$74	\$81	\$81	\$32	\$41	\$44	\$44
\$3,000-\$3,999	33	40	52	61	71	74	74	74	74	63	76	90	99	99	64	81	88	99	105	105	64	76	91	101	102	42	52	56	56
\$4,000-\$4,999	42	49	65	74	84	89	89	89	89	73	90	105	116	116	75	95	104	115	117	125	74	90	107	118	121	51	62	67	68
\$5,000-\$5,999	50	58	77	87	97	103	103	103	103	83	102	119	132	135	84	107	118	130	134	144	84	103	121	135	138	59	71	78	79
\$6,000-\$6,999	58	67	88	99	109	117	117	117	117	93	114	132	147	151	93	119	132	144	150	161	93	115	134	150	155	67	80	88	89
\$7,000-\$7,999	66	75	99	111	120	130	130	130	130	99	125	144	161	167	102	130	145	157	165	178	101	127	147	165	171	75	89	98	99
\$8,000-\$8,999	74	83	110	122	131	142	144	144	144	107	136	156	174	182	110	141	157	169	179	194	109	138	159	179	187	83	97	107	109
\$9,000-\$9,999	82	91	121	133	142	154	157	157	157	114	143	167	187	196	118	151	169	181	193	210	117	149	170	192	202	90	105	116	118
\$10,000-\$10,999	90	99	132	144	152	166	170	170	170	121	156	178	200	210	125	161	181	192	207	225									

To Call IRS Toll Free for Answers to Your Federal Tax Questions, Use Only the Number Listed Below for Your Area

Caution: "Toll-free" is a telephone call for which you pay only local charges and no long-distance charge is involved. Therefore, please use a local city number only if it is not a long-distance call for you. Otherwise, use the general toll-free number provided.

To help us provide courteous responses and accurate information, IRS occasionally monitors telephone calls. No record is maintained of the taxpayer's name, address or social security number.

Tax Advice to Taxpayers.—We are happy to assist you by answering questions to help you prepare your return. But you should know that you are responsible for the accuracy of your return and for the payment of the correct tax. If we do make an error, you are still responsible for the payment of the correct tax, and we are generally required by law to charge interest.

<p>ALABAMA Birmingham, 252-1155 Decatur, 355-1855 Huntsville, 539-2751 Mobile, 433-5532 Montgomery, 264-8441 Muscle Shoals Area, 767-0301 Tuscaloosa, 758-4434 Elsewhere in Alabama, 800-292-6300</p>	<p>HAWAII Hilo, 935-4895 Honolulu, 546-8660 Kauai, 245-2731 Lanai, call operator and ask for Enterprise 8036 Maui, 244-0685 Molokai, call operator and ask for Enterprise 8034</p>	<p>MASSACHUSETTS Boston, 523-1040 Brocton, 580-1770 Fitchburg, 345-1031 Lawrence, 682-4344 Lowell, 957-4470 New Bedford, 996-3111 Springfield, 785-1201 Worcester, 757-2712 Elsewhere in Massachusetts, 1-800-392-6288</p>	<p>NEW MEXICO Albuquerque, 766-3401 Elsewhere in New Mexico, 800-432-6880</p> <p>NEW YORK Albany District (Eastern Upstate New York) Albany, 449-3120 Poughkeepsie, 452-7800 Elsewhere in Eastern Upstate New York, 1-800-342-3700</p> <p>Brooklyn District Brooklyn, 596-3770 Nassau, 248-3620 Queens, 596-3770 Suffolk, 724-5000</p> <p>Buffalo District (Western Upstate New York) Binghamton, 772-1540 Buffalo, 855-3955 Niagara Falls, 285-9361 Rochester, 263-6770 Syracuse, 425-8111 Utica, 797-2550 Elsewhere in Western Upstate New York, 1-800-462-1560</p>	<p>RHODE ISLAND Block Island, call operator and ask for Enterprise 1040 Burrillville — Gloucester, 568-3100 Hope Valley—South County, 539-2361 Newport, 847-2463 Providence, 274-1040 Tiverton—Little Compton, 624-6647 Woonsocket, 722-9245</p> <p>SOUTH CAROLINA Charleston, 722-1601 Columbia, 799-1040 Greenville, 242-5434 Elsewhere in South Carolina, 1-800-922-8810</p>
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<p>ARKANSAS Little Rock, 376-4401 Elsewhere in Arkansas, 800-482-9350</p> <p>CALIFORNIA Please call your toll-free telephone number shown in the white pages of your local telephone directory under U.S. Government, Internal Revenue Service, Federal Tax Assistance.</p>	<p>INDIANA Evansville, 424-6481 Fort Wayne, 423-2331 Gary, 938-0560 Hammond, 938-0560 Indianapolis 635-2275 Muncie, 288-4594 South Bend, 232-3981 Terre Haute, 232-9421 Elsewhere in Indiana, 800-382-9740</p>	<p>MISSISSIPPI Biloxi, 868-2122 Gulfport, 868-2122 Jackson, 948-4500 Elsewhere in Mississippi, 1-800-222-8070</p>	<p>MISSOURI Columbia, 443-2491 Jefferson City, 635-9141 Joplin, 781-8500 Kansas City, 474-0350 St. Joseph, 364-3111 St. Louis, 342-1040 Springfield, 887-5000 Elsewhere in Missouri, 800-392-4200</p>	<p>TEXAS Amarillo, 376-2184 Austin, 472-1974 Beaumont, 835-5076 Dallas, 742-2440 El Paso, 543-7572 Ft. Worth, 334-3811 Houston, 965-0440 Lubbock, 747-4361 San Antonio, 229-5211 Waco, 752-6535 Wichita Falls, 723-6702 Elsewhere in Texas, 800-492-4830</p>
<p>COLORADO Denver, 825-7041 Elsewhere in Colorado, 800-332-2060</p> <p>CONNECTICUT Bridgeport, 576-1433 Hartford, 249-8251 Stamford, 348-6235 Elsewhere in Connecticut, 1-800-842-1120</p>	<p>IOWA Cedar Rapids, 366-8771 Des Moines, 284-4850 Elsewhere in Iowa, 800-362-2600</p> <p>KANSAS Kansas City, 722-2910 Topeka, 357-5311 Wichita, 263-2161 Elsewhere in Kansas, 800-362-2190</p>	<p>MINNESOTA Minneapolis, 291-1422 St. Paul, 291-1422 Elsewhere in Minnesota, 800-652-9062</p>	<p>NORTH CAROLINA Charlotte, 372-7750 Greensboro, 274-3711 Raleigh, 828-6278 Elsewhere in North Carolina, 800-822-8800</p> <p>NORTH DAKOTA Fargo, 293-0650 Elsewhere in North Dakota, 800-342-4710</p>	<p>UTAH Salt Lake City, 524-4060 Elsewhere in Utah, 1-800-662-5370</p> <p>VERMONT Burlington, 658-1870 Elsewhere in Vermont, 1-800-642-3110</p>
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<p>FLORIDA Fort Lauderdale, 491-3311 Jacksonville, 354-1760 Miami, 358-5072 Orlando, 422-2550 Pensacola, 434-5215 St. Petersburg, 576-7400 Tampa, 223-9741 West Palm Beach, 655-7250 Elsewhere in Florida, 1-800-342-8300</p>	<p>LOUISIANA Baton Rouge, 387-2206 New Orleans, 581-2440 Shreveport, 424-6301 Elsewhere in Louisiana, 800-362-6900</p> <p>MAINE Augusta, 622-7101 Portland, 775-7401 Elsewhere in Maine, 1-800-452-8750</p>	<p>NEBRASKA Lincoln, 475-3611 Omaha, 422-1500 Elsewhere in Nebraska, 800-642-9960</p>	<p>NEVADA Las Vegas, 385-6291 Reno, 784-5521 Elsewhere in Nevada, 800-492-6552</p> <p>NEW HAMPSHIRE Manchester, 668-2100 Portsmouth, 436-8810 Elsewhere in New Hampshire, 1-800-582-7200</p>	<p>WASHINGTON Everett, 259-0861 Seattle, 442-1040 Spokane, 456-8350 Tacoma, 383-2021 Vancouver, 695-9252 Yakima, 248-6891 Elsewhere in Washington, 800-732-1040</p>
<p>GEORGIA Atlanta, 522-0050 Augusta, 724-9946 Columbus, 327-7491 Macon, 746-4993 Savannah, 355-1045 Elsewhere in Georgia, 1-800-222-1040</p>	<p>LOUISIANA Baton Rouge, 387-2206 New Orleans, 581-2440 Shreveport, 424-6301 Elsewhere in Louisiana, 800-362-6900</p> <p>MARYLAND Baltimore, 962-2590 Prince Georges County, 488-3100 Montgomery County, 488-3100 Elsewhere in Maryland, 800-492-0460</p>	<p>NEBRASKA Lincoln, 475-3611 Omaha, 422-1500 Elsewhere in Nebraska, 800-642-9960</p>	<p>NEVADA Las Vegas, 385-6291 Reno, 784-5521 Elsewhere in Nevada, 800-492-6552</p> <p>NEW HAMPSHIRE Manchester, 668-2100 Portsmouth, 436-8810 Elsewhere in New Hampshire, 1-800-582-7200</p> <p>NEW JERSEY Camden, 966-7333 Hackensack, 487-8981 Jersey City, 622-0600 Newark, 622-0600 Paterson, 279-9400 Trenton, 394-7113 Elsewhere in New Jersey, 800-242-6750</p>	<p>WASHINGTON Everett, 259-0861 Seattle, 442-1040 Spokane, 456-8350 Tacoma, 383-2021 Vancouver, 695-9252 Yakima, 248-6891 Elsewhere in Washington, 800-732-1040</p> <p>WEST VIRGINIA Parkersburg, 485-1601 Elsewhere in West Virginia, 800-642-1931</p> <p>WISCONSIN Milwaukee, 271-3780 Elsewhere in Wisconsin, 800-452-9100</p> <p>WYOMING Cheyenne, 635-4124 Elsewhere in Wyoming, 800-525-6060</p>

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Wisconsin—P.O. Box 5070, Kansas City, MO 64132
Wyoming—P.O. Box 2924, Austin, TX 78769

Foreign Addresses—Taxpayers with legal residence in foreign countries: If European APO, send order blank to: IRS, P.O. Box 1040, Brooklyn, N.Y. 11232. If Pacific APO, send order blank to: IRS P.O. Box 12626, Fresno, CA 93778. Send letter requests for other forms and publications to: Director, Office of International Operations, Internal Revenue Service, Washington, D.C. 20225.

Guam—Agana, GU 96910
Puerto Rico—Director's Representative, U.S. Internal Revenue Service, 255 Ponce de Leon Avenue, Hato Rey, PR 00917
Virgin Islands—Department of Finance, Tax Division, Charlotte Amalie, St. Thomas, VI 00801

How To Get Forms

Generally, we mail forms and schedules directly to you based on what seems to be right for you. Schedules and forms you may need are listed below. You can get them from an Internal Revenue Service office, and at many banks and post offices, or by using the order blank below.

- Schedule A** for itemized deductions;
 - Schedule B** for gross dividends and other distributions on stock in excess of \$400, and for interest income in excess of \$400, and for answering the Foreign Accounts or Foreign Trust Questions;
 - Schedule C** for income from a personally owned business;
 - Schedule D** for income from the sale or exchange of capital assets;
 - Schedule E** for income from pensions, annuities, rents, royalties, partnerships, estates, trusts, etc.;
 - Schedule F** for income from farming;
 - Schedule G** for income averaging;
 - Schedules R&RP** credit for the elderly; and
 - Schedule SE** for reporting net earnings from self-employment;
- These forms are available only at Internal Revenue Service offices:
- Form 1040-ES** for making estimated tax payments.
 - Form 1310**, Statement of Claimant to Refund Due Deceased Taxpayer;
 - Form 2106**, Employee Business Expenses;

- Form 2120**, Multiple Support Declaration;
- Form 2210**, Underpayment of Estimated Tax by Individuals;
- Form 2440**, Disability Income Exclusion (Sick Pay);
- Form 2441**, Credit for Child Care Expenses;
- Form 3468**, Computation of Investment Credit;
- Form 3903**, Moving Expense Adjustment;
- Form 4136**, Computation of Credit for Federal Tax on Gasoline, Special Fuels, and Lubricating Oil;
- Form 4137**, Computation of Social Security Tax on Unreported Tip Income;
- Form 4562** for optional use by individuals, etc., claiming depreciation;
- Form 4683**, U.S. Information Return on Foreign Bank, Securities, and Other Financial Accounts, and Foreign Trusts;
- Form 4684** for reporting gains and losses resulting from casualties and thefts;
- Form 4797**, Supplemental Schedule of Gains and Losses;
- Form 4798** for computing a capital loss carryover;
- Form 4831** for reporting rental income;
- Form 4832**, Asset Depreciation Range (for determining a reasonable allowance for depreciation of designated classes of assets);
- Form 4835** for reporting farm rental income and expenses;
- Form 4868**, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return;
- Form 4972**, Special 10-year Averaging Method; and

Form 5329, Return for Individual Retirement Savings Arrangement.

Some helpful publications you can send for using the order blank are:

- 17 Your Federal Income Tax
- 54 Tax Guide For U.S. Citizens Abroad
- 334 Tax Guide for Small Business
- 501 Exemptions and Dependents
- 502 Medical Expenses
- 503 Child Care and Disabled Dependent Care
- 504 Tax Information for Divorced or Separated Individuals
- 506 Computing Your Tax Under the Income Averaging Method
- 521 Moving Expenses
- 522 Tax Information on Disability Payments
- 523 Selling or Purchasing Your Home
- 524 Tax Credit for the Elderly
- 526 Deductions for Contributions
- 529 Miscellaneous Deductions and Credits
- 530 Tax Information for Homeowners
- 545 Interest Expense
- 552 Recordkeeping Requirements
- 553 Highlights of 1976 Changes in the Tax Law
- 554 Tax Benefits for Older Americans

Other publications and forms referred to in the instructions are available without cost from any District Director.

Order Blank for Free Forms and Publications.—The forms and publications listed below are described above. We will send you 2 copies of each form and 1 copy of each publication circled below. Cut the order blank on the dotted line, write your name and address on the other side. Enclose this order blank in an envelope and address your envelope to the IRS address shown

on page 38 for your State or IRS office nearest your city. **Do not** use the envelope we furnished you in your income tax pamphlet as this envelope should be used for filing your income tax return. Orders for forms and publications should be mailed no later than March 16, to insure timely receipt of your order.

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1040A	Schedule G (1040)	2210	4137	4831	Pub. 17	Pub. 521	Pub. 552
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Schedule C (1040)	1040-ES	3468	4684	4835	Pub. 501	Pub. 524	
Schedule D (1040)	Form 1310	3468 Instructions	4684 Instructions	4868	Pub. 502	Pub. 526	

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Missouri—P.O. Box 5070, Kansas City, MO 64132
Montana—Helena, MT 59601
Nebraska—P.O. Box 5070, Kansas City, MO 64132
Nevada—Reno, NV 89502
New Hampshire—Portsmouth, NH 03801

New Jersey—P.O. Box 25866, Richmond, VA 23260

New Mexico—P.O. Box 2924, Austin, TX 78769

New York—Albany, NY 12206
P.O. Box 1040, Brooklyn, NY 11232
Buffalo, NY 14202

North Carolina—Greensboro, NC 27401

North Dakota—P.O. Box 5070, Kansas City, MO 64132

Ohio—P.O. Box 636, Florence, KY 41042

Oklahoma—P.O. Box 2924, Austin, TX 78769

Oregon—Portland, OR 97204

Pennsylvania—P.O. Box 25866, Richmond, VA 23260

Rhode Island—Providence, RI 02903

South Carolina—Columbia, SC 29201

South Dakota—P.O. Box 5070, Kansas City, MO 64132

Tennessee—Nashville, TN 37203

Texas—P.O. Box 2924, Austin, TX 78769

Utah—P.O. Box 12626, Fresno, CA 93778

Vermont—Burlington, VT 05401

Virginia—P.O. Box 25866, Richmond, VA 23260

Washington—Seattle, WA 98174

West Virginia—P.O. Box 636, Florence, KY 41042

Wisconsin—P.O. Box 5070, Kansas City, MO 64132

Wyoming—P.O. Box 2924, Austin, TX 78769

Foreign Addresses—Taxpayers with legal residence in foreign countries: If European APO, send order blank to: IRS, P.O. Box 1040, Brooklyn, NY 11232. If Pacific APO, send order blank to: IRS, P.O. Box 12626, Fresno, CA 93778. Send letter requests for other forms and publications to: Director, Office of International Operations, Internal Revenue Service, Washington, DC 20225.

Guam—Agana, GU 96910

Puerto Rico—Director's Representative, U.S. Internal Revenue Service, 255 Ponce de Leon Avenue, Hato Rey, PR 00917

Virgin Islands—Department of Finance Tax Division, Charlotte Amalie, St. Thomas, VI 00801

How To Get Forms

Generally, we mail forms and schedules directly to you based on what seems to be right for you. Schedules and forms you may need are listed below. You can get them from an Internal Revenue Service office, and at many banks and post offices, or by using the order blank below.

Schedule A for itemized deductions;

Schedule B for gross dividends and other distributions on stock in excess of \$400, and for interest income in excess of \$400, and for answering the Foreign Accounts or Foreign Trust Questions;

Schedule C for income from a personally owned business;

Schedule D for income from the sale or exchange of capital assets;

Schedule E for income from pensions, annuities, rents, royalties, partnerships, estates, trusts, etc.;

Schedule F for income from farming;

Schedule G for income averaging;

Schedules R&RP credit for the elderly; and

Schedule SE for reporting net earnings from self-employment;

These forms are available only at Internal Revenue Service offices:

Form 1040-ES for making estimated tax payments.

Form 1310, Statement of Claimant to Refund Due Deceased Taxpayer;

Form 2106, Employee Business Expenses;

Form 2120, Multiple Support Declaration;
Form 2210, Underpayment of Estimated Tax by Individuals;

Form 2440, Disability Income Exclusion (Sick Pay);

Form 2441, Credit for Child Care Expenses;
Form 3468, Computation of Investment Credit;
Form 3903, Moving Expense Adjustment;
Form 4136, Computation of Credit for Federal Tax on Gasoline, Special Fuels, and Lubricating Oil;

Form 4137, Computation of Social Security Tax on Unreported Tip Income;

Form 4562 for optional use by individuals, etc., claiming depreciation;

Form 4683, U.S. Information Return on Foreign Bank, Securities, and Other Financial Accounts, and Foreign Trusts;

Form 4684 for reporting gains and losses resulting from casualties and thefts;

Form 4797, Supplemental Schedule of Gains and Losses;

Form 4798 for computing a capital loss carryover;
Form 4831 for reporting rental income;

Form 4832, Asset Depreciation Range (for determining a reasonable allowance for depreciation of designated classes of assets);

Form 4835 for reporting farm rental income and expenses;

Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return;

Form 4972, Special 10-year Averaging Method; and

Form 5329, Return for Individual Retirement Savings Arrangement.

Some helpful publications you can send for using the order blank are:

- 17 Your Federal Income Tax
- 54 Tax Guide For U.S. Citizens Abroad
- 334 Tax Guide for Small Business
- 501 Exemptions and Dependents
- 502 Medical Expenses
- 503 Child Care and Disabled Dependent Care
- 504 Tax Information for Divorced or Separated Individuals
- 506 Computing Your Tax Under the Income Averaging Method
- 521 Moving Expenses
- 522 Tax Information on Disability Payments
- 523 Selling or Purchasing Your Home
- 524 Tax Credit for the Elderly
- 526 Deductions for Contributions
- 529 Miscellaneous Deductions and Credits
- 530 Tax Information for Homeowners
- 545 Interest Expense
- 552 Recordkeeping Requirements
- 553 Highlights of 1976 Changes in the Tax Law
- 554 Tax Benefits for Older Americans

Other publications and forms referred to in the instructions are available without cost from any District Director.

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Order Blank for Free Forms and Publications.—The forms and publications listed below are described above. We will send you 2 copies of each form and 1 copy of each publication circled below. Cut the order blank on the dotted line, write your name and address on the other side. Enclose this order blank in an envelope, and address your envelope to the IRS address shown

on page 38 for your State or IRS office nearest your city. Do not use the envelope we furnished you in your income tax pamphlet as this envelope should be used for filing your income tax return. Orders for forms and publications should be mailed no later than March 16, to insure timely receipt of your order.

Circle Desired Forms and Publications

		2106	3903	4797	4972	Pub. 503	Pub. 529
1040	Schedule E (1040)	2106	3903	4797 Instructions	4972	Pub. 504	Pub. 530
Instructions for 1040, Schedules, and Form 2441	Schedule F (1040)	2120	4136	4798	5329 Instructions	Pub. 506	Pub. 545
1040A	Schedule G (1040)	2210	4137	4831	Pub. 17	Pub. 521	Pub. 552
1040A Instructions	Schedules R&RP (1040)	2440	4562	4832	Pub. 54	Pub. 522	Pub. 553
Schedules A&B (1040)	Schedule SE (1040)	2441	4683	4832 Instructions	Pub. 334	Pub. 523	Pub. 554
Schedule C (1040)	1040-ES	3468	4684	4835	Pub. 501	Pub. 524	
Schedule D (1040)	Form 1310	3468 Instructions	4684 Instructions	4868	Pub. 502	Pub. 526	

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Name
Number and street
City or town, State and ZIP code