



1986

Instructions for preparing **Form 1040**

and instructions for Schedules A, B, C, D, E, F, and SE

(Tax Table—pages 37–42)

(Telephone Numbers for
Ordering Forms—page 49)

(Telephone Numbers
for Recorded Tax
Information—page 46)

Note: *This booklet does not
contain any tax forms.*

From the Commissioner

The new tax reform act makes sweeping changes in our tax laws that will affect all taxpayers. However, you will find that your tax forms this year are very similar to those you filed in the past. This is because most of the new tax changes do not take effect until after 1986 and therefore will not affect your 1986 taxes. We will be providing additional information throughout the coming year about these changes so that you will be familiar with them by the time you receive next year's tax forms.

I also am happy to tell you that the last tax filing season was one of our best ever, primarily because of the excellent efforts of our employees and their improvements in our system which permitted us to more quickly process your tax returns and issue refunds. We hope that you are pleased with the improvement in our performance, and we want you to know that we will continue to work to improve our system.

You can do some important things to make sure that your 1986 return can be processed promptly this year. First, after you complete your tax return, please check it carefully to make sure it is correct and also be sure to sign it. Second, if you received a preprinted name and address label from us, please use it because this label reduces the chance of error that may delay processing your return. Finally, please mail your return as soon as possible to avoid delays that may occur at the end of the filing season.

As your new Commissioner, I am committed to the continued improvement in the quality of the service that we are providing to you. All of us at the Internal Revenue Service are working very hard to improve the quality of our performance in order to deserve and obtain your continued respect and confidence. If you have any suggestions for improving our forms and instructions or our administration of the tax laws, please let me know by writing me at the Internal Revenue Service, Mail Stop 1040, 1111 Constitution Avenue, N.W., Washington, DC 20224.

Lawrence B. Gibbs
Commissioner of Internal Revenue

Important Reminders

Deduction for Charitable Contributions. Generally, for 1986, you may deduct all of your qualified charitable contributions even if you do not itemize your deductions. See the instructions for lines 34b through 34d on page 14 for more details.

Residential Energy Credit. You may not take a credit for energy saving expenditures made after 1985. However, if you have an unused credit from a prior tax year, you may be able to take a credit against your tax. Get **Form 5695**, Residential Energy Credit Carryforward, for details.

Tax Shelter Registration Number. A person who sells (or otherwise transfers) to you an interest in a tax shelter must maintain a list of investors and give you the tax shelter registration number assigned to the tax shelter. You must attach to your tax return **Form 8271**, Investor Reporting of Tax Shelter Registration Number, to report this number. Penalties are provided if you fail to report this number on your tax return.

Could You Pay Less Tax by Income Averaging? If there has been a large increase in your income this year, you may be able to pay less tax by using the income averaging method to figure your tax. Get **Schedule G** (Form 1040) to see if you qualify.

Employment Taxes for Household Employers. If you have a household employee, both you and the employee may have to pay a share of the social security tax on the employee's wages. You may also have to pay Federal unemployment tax, which is for your employee's unemployment insurance. For more details, get **Publication 503**, Child and Dependent Care Credit, and Employment Taxes for Household Employers.

Voluntary Contributions To Reduce the Public Debt. If you wish to make a contribution to reduce the public debt, enclose a separate check with your income tax return and make it payable to "Bureau of the Public Debt." You may be able to deduct this contribution on your 1987 tax return if you itemize your deductions. Please do not add it to any tax you may owe. If you owe tax, include a separate check for that amount payable to "Internal Revenue Service."

Assembling Your Return. Attach all schedules and forms in order of the "Attachment Sequence No." that is shown in the upper right corner of the schedule or form. For example, the "Attachment Sequence No." for **Schedule A** (Form 1040) is 07. Attach forms without an attachment sequence

number and any additional information sheets at the end of your return. See **Step 5** on page 4 for more details.

Mailing Your Return. If you received an envelope with your forms booklet, please use it. If you didn't receive an envelope, or you moved during the year, see **Where To File** on page 18. Envelopes with insufficient postage will be returned by the post office.

Telephone Service for Tax Refund Information. If it has been at least 10 weeks since you mailed your 1986 tax return, you can call a telephone number to find out the status of your income tax refund. For details on how to use this service, see **Tele-Tax Information** (the page numbers are in the index).

Unresolved Tax Problems. The Problem Resolution Program is for taxpayers who have been unable to resolve their problems with IRS. If you have a tax problem you cannot clear up through normal channels, write to your local IRS District Director or call your local IRS office and ask for Problem Resolution assistance. Although this office cannot change the tax law or technical decisions, it can assist in resolving problems that resulted from previous contacts.

Tax Law Changes Effective for 1987

The following information has no effect on your 1986 tax return. It is provided to give you enough time to comply with three of the many new changes included in the recently enacted Tax Reform Act of 1986.

Social Security Numbers for Dependents. Any person age 5 or over whom you claim as a dependent on your tax return next year must have a social security number, and that number must be shown on your 1987 return. If your dependent does not already have a social security number, the Social Security Administration will let you know how to apply for one.

Form W-4 Filing Requirement. You must file a new 1987 **Form W-4**, Employee's Withholding Allowance Certificate, with your employer before October 1, 1987. Otherwise, Federal income taxes will be withheld from your wages as if you claimed only one withholding allowance (two withholding allowances if your most recent W-4 form shows you are married). However, because of the numerous tax law changes effective for 1987, you may want to file the 1987 Form W-4 with your employer early in 1987 to make sure you have the right amount of income tax withheld from your wages. If you do this, you will meet the requirement for filing before October 1, 1987. You can get the new 1987 Form W-4 from your employer.

Estimated Tax Payments. Generally, for 1987 you should prepay, through withholding or estimated tax payments, at least 90% (previously 80%) of your 1987 tax or 100% of your 1986 tax, whichever is less. Otherwise, you may have to pay a penalty. **Form 1040-ES**, Estimated Tax for Individuals, is used to pay estimated tax. You can get Form 1040-ES from IRS.

If you want more information about these and other tax law changes effective for 1987, get **Publication 553**, Highlights of 1986 Tax Changes.

How To Use This Instruction Booklet

The instructions are divided into five main sections.

- **Section 1** contains information on who must file, how to choose the correct form to use, and when to file a return.
- **Section 2** contains helpful steps to get you ready to prepare your return.
- **Section 3** contains line-by-line instructions for most of the lines on the return.
- **Section 4** contains general information.

● **Section 5** contains instructions for most of the lines on many of the schedules that may be attached to Form 1040.

If you follow the steps in Section 2 and the line-by-line instructions in Section 3, we feel you can fill in your return quickly and accurately. You may also find some of the publications and **Tele-Tax Information** listed in the instructions helpful.

Section 1 Filing Information

First, be sure you need to file a tax return.

Your marital status, filing status, age, and gross income determine whether you have to file a tax return. Gross income usually means money, goods, and property you received on which you must pay tax. It does not include nontaxable benefits. See page 7 of the instructions to find out which types of income you should include.

Use the following chart to see whether you **must file a tax return**.

Who Must File (Caution: Also see Other Filing Requirements below.)

You must file a tax return if—

your marital status at the end of 1986 was:	and your filing status is:	and at the end of 1986 you were:	and your gross income was at least:
Single (including divorced and legally separated)	Single or Head of household	under 65 65 or over	\$3,560 \$4,640
Married with a dependent child (or a child whom you cannot claim as a dependent because of the rules on page 7 for Children of Divorced or Separated Parents) and living apart from your spouse during the last 6 months of 1986	Head of household	under 65 65 or over	\$3,560 \$4,640
Married and living with your spouse at end of 1986 (or on the date your spouse died)	Married, joint return	under 65 (both spouses) 65 or over (one spouse) 65 or over (both spouses)	\$5,830 \$6,910 \$7,990
	Married, separate return	any age	\$1,080
Married, not living with your spouse at end of 1986 (or on the date your spouse died)	Married, joint return or separate return	any age	\$1,080
	Single or Head of household	under 65 65 or over	\$3,560 \$4,640
Widowed in 1984 or 1985 and not remarried in 1986	Qualifying widow(er) with dependent child	under 65 65 or over	\$4,750 \$5,830
	Single or Head of household	under 65 65 or over	\$3,560 \$4,640
Widowed before 1984 and not remarried in 1986	Single or Head of household	under 65 65 or over	\$3,560 \$4,640

Other Filing Requirements. Even if your income was less than the amounts shown above, you must file a return if any one of the following applied for 1986:

- You could be claimed as a dependent on your parents' return and you had \$1,080 or more in income that was not earned income—for example, taxable interest and dividends.
- You owe any special taxes, such as:
 - social security tax on tips you did not report to your employer;
 - uncollected social security tax or RRTA tax on tips you reported to your employer;
 - alternative minimum tax;
 - tax on an Individual Retirement Arrangement (IRA); or
 - tax from recapture of investment credit.
- You received any advance earned income credit (EIC) payments from your employer(s).
- You had net earnings from self-employment income of at least \$400.
- You had wages of \$100 or more from a church or qualified church-controlled organization that is exempt from employer social security taxes.

● You exclude income from sources within U.S. possessions and your gross income was at least \$1,080.

These rules apply to all U.S. citizens and resident aliens. They also apply to nonresident aliens and dual-status aliens who are married to U.S. citizens or residents at the end of 1986 and who have elected to be treated as resident aliens.

If you were a nonresident alien at any time during 1986 (except as mentioned above), different rules apply. You may have to file **Form 1040NR**, U.S. Nonresident Alien Income Tax Return. Also get **Publication 519**, U.S. Tax Guide for Aliens.

Note: Specific rules apply to determine if you are a resident or nonresident alien. See **Publication 519** for details.

Who Should File

Even if you do not have to file, you should file to get a refund if Federal income tax was withheld from any payments to you or if you can take the earned income credit. If you file for either of these reasons only, you may be able to use Form 1040A. If you file only to get a refund of tax withheld, you may be able to use Form 1040EZ.

When To File

You should file as soon as you can after January 1, but not later than April 15, 1987.

If you file late, you may have to pay penalties and interest. See **Penalties and Interest** on page 18.

If you know that you cannot file by the due date, you should ask for an extension using **Form 4868**, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return.

Note: Form 4868 does not extend the time to pay your income tax. See the instructions for Form 4868.

If you are living or traveling outside the United States and Puerto Rico on April 15, you can get an automatic 2-month extension of time to file. Just attach a statement to your return explaining the details.

Which Form To File You MAY Be Able To Use Form 1040EZ If:

- You were single and claim only your own personal exemption.
- You had **only** wages, salaries, and tips, and not more than \$400 of interest income.

- Your taxable income is less than \$50,000.
- You do not itemize deductions or claim any adjustments to income or tax credits.

You can use Form 1040EZ to deduct certain cash charitable contributions.

You MAY Be Able To Use Form 1040A If:

- You had income **only** from wages, salaries, tips, unemployment compensation, interest, or dividends.
- Your taxable income is less than \$50,000.
- You do not itemize deductions.

You can also use Form 1040A to claim the deduction for a married couple when both work, the deduction for certain contributions to an Individual Retirement Arrangement (IRA), the credit for child and dependent care expenses, and the deduction for charitable contributions.

Since Forms 1040A and 1040EZ are easier to complete than Form 1040, you should use one of them unless using Form 1040 lets you pay less tax. However, even if you meet the above tests, you must file Form 1040 if any of the following situations applies to you.

You MUST Use Form 1040 If:

- Your taxable income is \$50,000 or more.
- You itemize deductions. (Read line 34a instructions that begin on page 13 to see if it would benefit you to itemize.)
- Your spouse files a separate return and itemizes deductions. Exception: You may still use Form 1040A if you have a child and can meet the tests on page 5 under **Married Persons Who Live Apart**.
- You can be claimed as a dependent on your parents' return **AND** you had interest, dividends, or other unearned income of \$1,080 or more.
- You are a qualifying widow(er) with a dependent child.
- You were a nonresident alien during any part of 1986 and do not file a joint return. (You may have to file **Form 1040NR**.)
- You were married at the end of 1986 to a nonresident alien who had U.S. source income and who has not elected to be treated as a resident alien. Exception: You may be able to use Form 1040A if you meet the tests on page 5 under **Married Persons Who Live Apart**.
- You received, as a nominee, interest or dividends that actually belong to another person.
- You received or paid accrued interest on securities transferred between interest payment dates.
- You received any nontaxable dividends or capital gain distributions
- You are required to fill in Part III of Schedule B for foreign accounts and foreign trusts (see page 23 of the instructions).
- You had any of the kinds of income shown on Form 1040, lines 10 through 19, 21b, and 22, such as taxable social security or railroad retirement benefits.
- You take any of the adjustments to income shown on Form 1040, lines 24, 25, 27, 28, 29, or any write-in amount included on line 31.

- You claim any of the credits on Form 1040, lines 42, 46, 47, or any write-in amount included on lines 44 or 48.
- You owe any of the taxes on Form 1040, lines 39, 50 through 54, or any write-in amount included on line 55 (other than advance EIC payments)
- You claim any of the payments on Form 1040, lines 57, 61, 62, or any write-in amount included on lines 62 or 63.
- You file any of these forms:

Form 1040-ES, Estimated Tax for Individuals, for 1986 (or if you want to apply any part of your 1986 overpayment to estimated tax for 1987).

Schedule G, Income Averaging.

Form 2210, Underpayment of Estimated Tax by Individuals.

Form 2555, Foreign Earned Income.

Form 4563, Exclusion of Income From Sources in United States Possessions.

Form 8271, Investor Reporting of Tax Shelter Registration Number.

Section 2

Steps for Preparing Your Return

Follow the five useful steps below to help you prepare your return. If you follow these steps and read the line-by-line instructions, we feel that you can fill in your return quickly and accurately.

Step 1

Get all of your records together.

Income Records. These include any Forms **W-2**, **W-2G**, **W-2P**, and **1099** that you may have. If you don't get a Form W-2 by February 2, 1987, or if the one you get isn't correct, please contact your employer as soon as possible. Only your employer can give you a Form W-2, or correct it. If you cannot get a Form W-2 by February 15, call the toll-free telephone number listed in the instructions for your area. You will be asked for your employer's name, address, and, if known, identification number.

If you have someone prepare your return for you, you are still responsible for the correctness of the return.

Itemized Deductions and Tax Credits. Pages 14 through 22 of these instructions tell you what credits and itemized deductions you can take. Some of the records you may need are:

- Medical and dental payment records.
- Real estate and personal property tax receipts.
- Interest payment records for items such as a home mortgage, car, or appliances.
- Records of payments for child and dependent care so you could work.

Step 2

Get any forms, schedules, or publications you need.

In general, we mail forms and schedules to you based on what you filed last year.

Before you fill in your return, look it over to see if you need more forms or schedules.

If you think you will need any other forms, get them before you start to fill in your return. Most IRS offices and many local banks, post offices, and libraries may have some of them. Or, you can use the order blank on the next to the last page of this instruction booklet. We will send you the forms, schedules, instructions, and publications you ask for.

Step 3

Check your return to make sure it is correct.

Step 4

Sign and date your return.

Form 1040 is not considered a return unless you sign it. Your spouse must also sign if it is a joint return.

Step 5

Attach all necessary forms and schedules.

Attach the first copy or Copy B of Forms **W-2**, **W-2G**, and **W-2P** to the front of Form 1040.

If you need more space on forms or schedules, attach separate sheets and use the same format as the printed forms, but show your totals on the printed forms. Please use sheets that are the same size as the forms and schedules. Be sure to put your name and social security number on these separate sheets and attach them at the end of your return.

If you owe tax, be sure to attach your payment to the front of Form 1040.

Section 3

Line-By-Line Instructions

Name, Address, and Social Security Number Blocks

If you received a mailing label from us, please use it. But don't attach your label to your return until you complete the return. Make sure the label is correct. If it isn't, mark through the label and make corrections on the label. If you do not have a label, print or type your name, address, and social security number.

Caution: *If the label is for a joint return and the social security numbers are not listed in the same order as the first names, show the numbers in the correct order.*

P.O. Box. If your post office does not deliver mail to your street address and you have a P.O. box, enter your P.O. box number on the line for your present home address instead of your street address.

Social Security Number. If you are married, give social security numbers for both you and your spouse whether you file joint or separate returns.

If your spouse is a nonresident alien, has no income, does not have a social security number, and you file a separate return, enter "NRA" in the block for your spouse's social security number. If you and your spouse file a joint return, your spouse must get a social security number.

If you don't have a social security number, please get **Form SS-5** from a Social Security Administration (SSA) office. File it with your local SSA office early enough to get your number before April 15. If you do not get the number by then, file your return and enter "Applied for" in the block for your social security number.

Name Change. If you have changed your name because of marriage, divorce, etc., make sure you immediately notify the Social Security Administration (SSA) so the name on your tax return is the same as the name SSA has on its records. This may prevent delays in issuing your refund.

Joint Return. If you are married, filing a joint return, show the social security numbers in the same order that you show your first names. If you are filing a joint return and have different last names, please separate the names with an "and." For example: "John Brown and Mary Smith."

Presidential Election Campaign Fund

Congress established this fund to support public financing of Presidential election campaigns.

You may have \$1 go to the fund by checking the **Yes** box. On a joint return, each of you may choose to have \$1 go to this fund, or each may choose not to. One may choose to have \$1 go to this fund and the other may choose not to.

If you check **Yes**, it will not change the tax or refund shown on your return.

Do not claim this amount as a credit for political contributions on line 43.

Filing Status

Lines 1 through 5

Single

Consider yourself single if on December 31 you were unmarried or separated from your spouse either by divorce or separate maintenance decree and you do not qualify for another filing status. State law governs whether you are married, divorced, or legally separated.

If you were married on December 31, consider yourself married for the whole year. If you meet the tests explained on this page for **Married Persons Who Live Apart**, you may consider yourself single for the whole year and file as head of household.

If your spouse died in 1986, consider yourself married to that spouse for the whole year, unless you remarried before the end of 1986.

Married

Joint or Separate Returns?

Joint Returns. Most married couples will pay less tax if they file a joint return. You must report all income, exemptions, deductions, and credits for you and your spouse. Both of you must sign the return, even if only one of you had income.

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

Note: If you file a joint return, you may not, after the due date of the return, choose to file separate returns for that year.

If your spouse died in 1986, you can file a joint return for 1986. You can also file a joint return if your spouse died in 1987 before filing a 1986 return. For details on how to file the joint return, see **Death of Taxpayer** on page 19.

Tax Tip: If you decide not to file a joint return and plan to file a separate return, see if you can lower your tax by meeting the tests described on this page under **Married Persons Who Live Apart**.

Special Rule for Aliens.—If at the end of 1986, you were a nonresident alien or dual-status alien married to a U.S. citizen or resident alien, you may be able to file a joint return with your spouse. If you do file a joint return, you and your spouse must agree to be taxed on your combined worldwide income. For more details, get **Publication 519**, U.S. Tax Guide for Aliens.

Separate Returns. You can file separate returns if both you and your spouse had income, or if only one of you had income.

If you file a separate return, you each report only your own income, exemptions, deductions, and credits, and you are responsible only for the tax due on your own return.

Special rules apply, however, for taxpayers who live in community property states. For details, get **Publication 555**.

In most instances if you file a separate return, you will pay more Federal tax because the tax rate is higher for married persons filing separately. The following also apply:

- You cannot take the deduction for a married couple when both work.
- You cannot take the credit for child and dependent care expenses in most cases.
- You cannot take the earned income credit.
- If you lived with your spouse at any time in 1986—

a. You will have to include in income more of any unemployment compensation you received in 1986.

b. You cannot take the credit for the elderly or for the permanently and totally disabled.

c. You may have to include in income up to one-half of any social security benefits (including railroad retirement benefits treated as social security) you received in 1986.

- You must itemize your deductions if your spouse itemizes, even if it is not to your tax benefit to do so.

If you file a separate return, enter your spouse's full name in the space provided on line 3 and your spouse's social security number in the block provided for that number.

If your spouse does not file, check the boxes on line 6b that apply if you can claim the exemptions for your spouse. Please see **For Your Spouse** on page 6.

Married Persons Who Live Apart. Some married persons who have a child and who do not live with their spouse may file as head of household and use tax rates that are lower than the rates for single or for married filing a separate return. This also means that if your spouse itemizes deductions, you do not have to. You may also be able to claim the earned income credit.

You should check the box on line 4 for Head of household if you meet **ALL 4** of the following tests:

1. You file a separate return from your spouse.
2. You paid more than half the cost to keep up your home in 1986.
3. Your spouse did not live with you at any time during the last 6 months of 1986.
4. For over 6 months of 1986, your home was the principal home of your child or stepchild whom—

- a. you can claim as a dependent, **OR**
- b. the child's other parent claims as a dependent under the rules explained on page 7 for **Children of Divorced or Separated Parents**. (Enter this child's name in the space provided on line 4.)

Head of Household

Tax Tip: The tax rates for a person who can meet the tests for head of household are lower than the rates for single or for married filing a separate return.

You may use this filing status **ONLY IF** on December 31, 1986, you were unmarried (including certain married persons who live apart, as discussed above) or legally separated and meet test 1 or 2 below.

1. You paid more than half the cost of keeping up a home, which was the principal home of your father or mother whom you can claim as a dependent. **OR**
2. You paid more than half the cost of keeping up the home in which you lived and in which one of the following also lived for more than 6 months of the year (except for temporary absences, such as for vacation or school):

- a. Your **unmarried** child, grandchild, adopted child, or stepchild. This child does not have to be your dependent. However, your foster child must be your dependent.

Note: If this child is not your dependent, you must enter the child's name in the space provided on line 4.

- b. Your **married** child, grandchild, adopted child, or stepchild. This child must be your dependent. But if your married child's other parent claims him or her as a dependent under the rules on page 7 for **Children of Divorced or Separated Parents**, this child does not have to be your dependent. (If your child is not your dependent because of these rules, you must enter the child's name in the space provided on line 4.)

c. Any other relative listed below whom you can claim as a dependent.

Parent	Brother-in-law
Grandparent	Sister-in-law
Brother	Son-in-law
Sister	Daughter-in-law, or
Stepbrother	if related by blood:
Stepsister	Uncle
Stepmother	Aunt
Stepfather	Nephew
Mother-in-law	Niece
Father-in-law	

Note: See instructions for lines 6c through 6e below for the definition of dependent.

Special rules

- If you receive payments under the Aid to Families with Dependent Children (AFDC) program and use them to pay part of the cost of keeping up this home, you may not count these amounts as furnished by you.
- You cannot file as head of household if you claim a relative described in 1 or 2 on page 5 as a dependent under a **Multiple Support Declaration**. (See page 7 for details on dependents supported by two or more taxpayers.)

Qualifying Widow or Widower With a Dependent Child

If your spouse died in 1984 or 1985 and you did not remarry in 1986, you may be able to use joint return tax rates for 1986. You can figure your tax at joint return rates if you meet **ALL 3** of the following tests:

1. You could have filed a joint return with your spouse for the year your spouse died, even if you didn't actually do so.
2. Your dependent child, stepchild, adopted child, or foster child lived with you (except for temporary absences, such as for vacation or school).
3. You paid over half the cost of keeping up the home for this child for the whole year.

Check the box on line 5 for Qualifying widow(er) with dependent child and show the year your spouse died in the space provided. **Do not** claim an exemption for your spouse.

If your spouse died before 1984 and you were single in 1986, you may check the box on line 4 if you meet the tests under **Head of Household**. Otherwise you must file as single.

Exemptions

Line 6a For Yourself

You can always take one exemption for yourself. Take two exemptions if you were blind, or 65 or over. Take three exemptions if you were blind and 65 or over. Be sure to check all the boxes on line 6a for the exemptions you can take for yourself.

You can take the extra exemptions for age 65 or over and blindness only for yourself and your spouse. You cannot take them for dependents.

Age and blindness are determined as of December 31. However, if your 65th birthday was on January 1, 1987, you can take the extra exemption for age for 1986.

Proof of Blindness. If you are completely blind, attach a statement to your return to this effect.

Page 6

In cases of partial blindness, you must attach to your return each year a certified statement from an eye physician or registered optometrist that:

1. you cannot see better than 20/200 in the better eye with glasses or contact lenses, **OR**
2. your field of vision is not more than 20 degrees.

If this eye condition will never improve beyond the standards in 1 or 2, you may submit a certified opinion to this effect from an examining eye physician. You must attach this certification to your return only once. In later years you can just include a statement referring to it.

Line 6b For Your Spouse

You can take exemptions for your spouse if you file a joint return. If you file a separate return, you can take your spouse's exemptions only if your spouse is not filing a return, had no income, and was not the dependent of someone else.

Your spouse's exemptions are like your own. Take one exemption for your spouse if your spouse was neither blind nor 65 or over. Take two exemptions if your spouse was blind or 65 or over. Take three exemptions if your spouse was blind and 65 or over. Be sure to check all the boxes on line 6b for the exemptions you can take for your spouse.

If at the end of 1986 you were divorced or legally separated, you cannot take an exemption for your former spouse. If you were separated by a divorce that is not final (interlocutory decree), you are considered married for the whole year.

If your spouse died in 1986 and you did not remarry before the end of 1986, check the boxes for the exemptions you could have taken for your spouse on the date of death.

Nonresident Alien Spouse. If you do not file a joint return, you may claim your spouse's exemptions only if your spouse had no income from U. S. sources and is not the dependent of another taxpayer. Use the boxes on line 6b to claim exemptions for a nonresident alien spouse. When claiming your spouse's exemption, enter "NRA" above the word Spouse on line 6b.

Lines 6c through 6e Children and Other Dependents

Line 6c. Enter the first names of your dependent children who lived with you (except for temporary absences, such as for vacation or school). Fill in the total number in the box to the right of the arrow.

Line 6d. Enter the first names of your dependent children who did not live with you most of the year. Fill in the total number in the box on the right. If you are claiming a child under the rules explained on page 7 for **Children of Divorced or Separated Parents**, you must either:

- attach **Form 8332**, Release of Claim to Exemption for Child of Divorced or Separated Parents, or similar statement, **OR**
- check the box for pre-1985 agreements.

Line 6e. Enter the full names and other information for your other dependents. Fill

in the total number in the box to the right of the arrow. You can take an exemption for each person who is your dependent.

Birth or Death of Dependent. You can take an exemption for a dependent who was born or who died during 1986 if he or she met the tests for a dependent while alive. This means that a baby who lived only a few minutes can be claimed as a dependent.

For more details, get **Publication 501**, Exemptions.

Each person you claim as a dependent has to meet **ALL 5** of these tests:

1. income;
2. support;
3. married dependent;
4. citizenship or residence; and
5. relationship.

These tests are explained below.

1. Income

In general, the person must have received less than \$1,080 of gross income. Gross income does not include nontaxable income, such as welfare benefits or nontaxable social security benefits.

Income received by a permanently and totally disabled person for services performed at a sheltered workshop school is generally not included in gross income for purposes of the income test. Get Publication 501 for details.

Special Rules for Your Dependent Child. Even if your child had income of \$1,080 or more, you can claim your child as a dependent if tests 2, 3, and 4 below are met, and:

- your child was under 19 at the end of 1986, or
- your child was enrolled as a full-time student at a school during any 5 months of 1986, or
- your child took a full-time, on-farm training course during any 5 months of 1986. (The course had to be given by a school or a state, county, or local government agency.)

The school must have a regular teaching staff, a regular course of study, and a regularly enrolled body of students in attendance.

A school includes:

- elementary, junior, and senior high schools;
- colleges and universities; and
- technical, trade, and mechanical schools.

However, school does not include on-the-job training courses or correspondence schools.

2. Support

In general, you must have given over half of the dependent's support in 1986. If you file a joint return, the support can be from you or your spouse. Even if you did not give over half of the dependent's support, you will be treated as having given over half of the support if you meet the tests explained on page 7 for **Children of Divorced or Separated Parents or Dependent Supported by Two or More Taxpayers**.

In figuring total support, you must include money the dependent used for his or her own support, even if this money was

not taxable (for example, gifts, savings, welfare benefits). If your child was a student, do not include amounts he or she received as scholarships.

Support includes items such as food, a place to live, clothes, medical and dental care, recreation, and education. In figuring support, use the actual cost of these items. However, the cost of a place to live is figured at its fair rental value.

Do not include in support items such as income and social security taxes, premiums for life insurance, or funeral expenses.

Capital items—You must include capital items such as a car or furniture in figuring support, but only if they are actually given to, or bought by, the dependent for his or her use or benefit. Do not include the cost of a capital item for the household or for use by persons other than the dependent.

If you care for a foster child, see **Publication 501** for special rules that apply.

Children of Divorced or Separated Parents. The parent who has custody of a child for most of the year (the custodial parent) can generally take the exemption for that child if the child's parents together paid more than half of the child's support. This general rule also applies to parents who did not live together at any time during the last 6 months of the year. But the parent who does not have custody, or who has the child for the shorter time (the noncustodial parent), may take the exemption if either **a** or **b** below applies.

a. The custodial parent signs **Form 8332**, Release of Claim to Exemption for Child of Divorced or Separated Parents, or similar statement, agreeing not to claim an exemption for the child in 1986, and the noncustodial parent attaches the form, or similar statement, to his or her 1986 tax return, **OR**

b. A decree of divorce or separate maintenance (or a written agreement) that was in effect before 1985 states that the noncustodial parent can take the exemption and he or she gave at least \$600 for the child's support in 1986. The noncustodial parent must check the box on line 6d for pre-1985 agreements. (This rule does not apply if the decree or agreement was modified after 1984 to specify that the noncustodial parent cannot claim the exemption.)

Note: In figuring support, a parent who has remarried may count the support provided by the new spouse.

Dependent Supported by Two or More Taxpayers. Sometimes two or more taxpayers together pay more than half of another person's support, but no one alone pays over half of the support. One of the taxpayers may claim the person as a dependent only if the tests for income, married dependent, citizenship or residence, and relationship, discussed on page 6 and this page are met.

In addition, the taxpayer who claims the dependent must:

a. have paid more than 10% of the dependent's support, and

b. attach to his or her tax return a signed **Form 2120**, Multiple Support Declaration, from every other person who paid more than 10% of the support. This form states that the person who signs it will not claim an exemption in 1986 for the person he or she helped to support.

3. Married Dependent

The dependent did not file a joint return. However, if neither the dependent nor the dependent's spouse is required to file, but they file a joint return to get a refund of all tax withheld, you may claim him or her if the other 4 tests are met.

4. Citizenship or Residence

The dependent **must have been** a citizen or resident of the United States, a resident of Canada or Mexico, or an alien child adopted by and living the entire year with a U.S. citizen in a foreign country.

5. Relationship

The dependent met test **a** or **b** below.

a. Was related to you (or your spouse if you are filing a joint return) in one of the following ways:

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

Note: Any relationships that have been established by marriage are not ended by death or divorce.

b. Was any other person who lived in your home as a member of your household for the whole year. **A person is not a member of your household** if at any time during your tax year the relationship between you and that person violates local law.

The word child includes:

- Your son, daughter, stepson, or stepdaughter, or adopted son or daughter.
- 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 (any child who lived in your home as a member of your family for the whole year).

Income

Examples of Income You Do Not Report

(Do not include these amounts when you decide if you must file a return.)

Welfare benefits.

Disability retirement payments (and other benefits) paid by the Veterans' Administration.

Workers' compensation benefits, insurance damages, etc., for injury or sickness.

Child support.

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

Dividends on veterans' life insurance.

Life insurance proceeds received because of a person's death.

Interest on certain state and municipal bonds.

Amounts you received from insurance because you lost the use of your home due to fire or other casualty to the extent the amounts were more than the cost of your normal expenses while living in your home. (You must report as income reimbursements for normal living expenses.)

Amounts an employer contributed on your behalf and benefits provided to you as an employee or the spouse or dependent of an employee, under a qualified group legal services plan.

Cancellation of certain student loans where the student, under the terms of the loan, performs certain professional services for any of a broad class of employers.

Examples of Income You Must Report

The following kinds of income should be reported on Form 1040, or related forms and schedules, in addition to the types of income listed on Form 1040, lines 7 through 21b. You may need some of the forms and schedules mentioned below.

Original Issue Discount (Schedule B).

Distributions from SEPs and DECs.

Amounts received in place of wages, from accident and health plans (including sick pay and disability pensions) if your employer paid for the policy.

Bartering income (fair market value of goods or services you received in return for your services).

Business expense reimbursements you received that are more than you spent for these expenses.

Tier 2 and supplemental annuities under the Railroad Retirement Act.

Life insurance proceeds from a policy you cashed in if the proceeds are more than the premium you paid.

Your share of profits from S corporations (Schedule E).

Endowments.

Lump-sum distributions (Form 4972 or Form 5544). (See page 10.)

Gains from the sale or exchange (including barter) of real estate, securities, coins, gold, silver, gems, or other property (Schedule D or Form 4797).

Gains from the sale of your personal residence (Schedule D and Form 2119).

Accumulation distributions from trusts (Form 4970).

Prizes and awards (contests, raffles, lottery, and gambling winnings).

Earned income from sources outside the United States (Form 2555).

Director's fees.

Fees received as an executor or administrator of an estate.

Embezzled or other illegal income.

U.S. Citizens Living Abroad

Generally, foreign source income must be reported. Get **Publication 54**, Tax Guide for U.S. Citizens and Resident Aliens Abroad, for more details.

Community Property States

Community property states are: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.

If you and your spouse live in a community property state, you must follow state law to determine what is community income and what is separate income. However, different rules could apply if:

- you and your spouse lived apart all year,
- you do not file a joint return, and
- no part of the community income you earn is transferred to your spouse.

For details, get **Publication 555**, Community Property and the Federal Income Tax.

Rounding Off to Whole Dollars

You may round off cents to the nearest whole dollar on your return and schedules. But, if you do round off, do so for all amounts. You can drop amounts under 50 cents. Increase amounts from 50 to 99 cents to the next dollar. For example, \$1.39 becomes \$1 and \$2.50 becomes \$3.

Line 7

Wages, Salaries, Tips, Etc.

Show the total of all wages, salaries, fees, commissions, tips, bonuses, supplemental unemployment benefits, and other amounts you were paid before taxes, insurance, etc., were taken out. For information on allocated tips, get **Publication 531**, Reporting Income From Tips.

Include in this total:

- The amount that should be shown in Box 10 on **Form W-2**. Report all wages, salaries, and tips you received, even if you do not have a **Form W-2**.

- Tips received that you did not report to your employer. (Show any social security tax due on these tips on line 53—see the instructions on page 15.)

Note: Any tip allocation amount shown on **Form W-2** may be added to your gross income unless you are able to prove a lesser amount with adequate records.

- Disability pensions if you have not reached the minimum retirement age set by your employer.

Note: Except for those disability pensions mentioned above, pensions shown on **Form W-2P** are reported on line 16 or line 17a of **Form 1040**.

- Payments by insurance companies, etc., not included on **Form W-2**. If you receive sick pay or a disability payment from anyone other than your employer, and it is not included in the wages shown on **Form W-2**, include it on line 7. Attach a statement showing the name and address of the payer and amount of sick pay or disability income. (Get **Form W-4S** for information on withholding of Federal income tax from your sick pay.)

Page 8

- 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. Don't report the value of meals given you at work if they were provided for your employer's convenience. Also do not report the value of living quarters you had to accept on your employer's business premises as a condition of employment.

- Strike and lockout benefits paid by a union from union dues. Include cash and the fair market value of goods received. Don't report benefits that were gifts.

- Any amount your employer paid for your moving expenses (including the value of services furnished in kind) that is not included in Box 10 on **Form W-2**.

Note: You must report on line 7 all wages, salaries, etc., paid for your personal services, even if the income was signed over to a trust (including an IRA), another person, a corporation, or a tax-exempt organization.

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

Fringe Benefits. If you used an employer-provided highway motor vehicle for both personal and business use and your employer included 100% of the fair rental value of the vehicle in the wages, tips, and other compensation box (Box 10) of your **W-2** form, you must use **Form 2106**, Employee Business Expenses, to claim a deduction for the business use of the vehicle. (The total fair rental value of the vehicle should be shown in Box 16a of your **W-2** form or on a separate statement.) You must report on **Form 1040**, line 7, the total amount shown in Box 10 of your **W-2** form. For more details, get **Publication 525**.

Line 8

Interest Income

Enter your **TOTAL** taxable interest income. If the total interest is more than \$400, first fill in Schedule B (see page 22 of instructions).

Report any interest you received or that was credited to your account so you could withdraw it. (It does not have to be entered in your passbook.) Interest that was credited in 1986 on deposits that you could not withdraw because of the bankruptcy or insolvency of the financial institution may not have to be included in your 1986 income. For details, get **Publication 550**, Investment Income and Expenses.

Generally, the payer will send you a **Form 1099-INT** or, if applicable, a **Form 1099-OID** for this interest.

If you received, as a nominee, interest that actually belongs to someone else, see Schedule B instructions on page 22.

Caution: Be sure to give each payer of interest income your correct social security number. Otherwise, the payer may have to withhold 20% of the interest. You may also be subject to penalties.

For more details, get **Publication 550**.

Examples of Interest Income You MUST Report

Report interest from:

- Accounts (including certificates of deposit and money market accounts) with

banks, credit unions, and savings and loan associations.

- Building and loan accounts.

- Notes, loans, and mortgages. Special rules apply to loans with below-market interest rates. Get **Publication 525**.

- Tax refunds (report only the interest on them as interest income).

- Bonds and debentures. Also arbitrage bonds issued by state and local governments after October 9, 1969. (Do not report interest on other state and local bonds and securities.) Also report as interest any gain on the disposition of certain market discount bonds issued to you after July 18, 1984, to the extent of the accrued market discount.

- U.S. Treasury bills, notes, and bonds.
- U.S. Savings Bonds. The interest is the yearly increase in the value of the bond. Interest on Series E or EE bonds can be reported using method a or b below:

a. Report the total interest when you cash the bonds, or when they reach final maturity and no longer earn interest; **OR**

b. Each year report on your return the yearly increase of the bonds' value.

If you change to method b, report the entire increase in all your bonds from the date they were issued. Each year after report only the yearly increase. Once you have used method b to report your interest, you must continue to do so for all your U.S. Savings Bonds.

Note: If you receive for 1986 a **Form 1099-INT** for U.S. Savings Bond interest, which includes amounts reported before 1986, see **Publication 550**.

- Original Issue Discount (OID). This is the difference between the issue price of a debt instrument and the stated redemption price at maturity. If the instrument was issued at a discount after May 27, 1969 (or for certain noncorporate instruments after July 1, 1982), include in your interest income the discount for the part of the year you held it.

If you bought a corporate debt instrument at original issue and held it for all of 1986 or the part of 1986 that it was outstanding, include in interest income the total OID from **Form 1099-OID**. If you bought a corporate instrument after its original issue, or if you did not hold it for all of 1986, get **Publication 1212**, List of Original Issue Discount Instruments, for information on how to figure your taxable OID. If you held a noncorporate debt instrument (such as a zero coupon U.S. Treasury-backed security) during 1986, see **Publication 1212** to figure your taxable OID.

If you had OID for 1986, but did not receive **Form 1099-OID**, or if the price you paid for the instrument is more than the issue price plus accumulated OID, see **Publication 1212**. It provides total OID on the instruments listed and gives computational information.

Also include in your interest income any other periodic interest shown on **Form 1099-OID**.

Line 9a Dividends

Dividends are distributions of money, stock, or other property that corporations pay to stockholders. They also include dividends

you receive through a partnership, an S corporation, or an estate or trust. Payers include nominees or other agents. Generally, the payer will send you a **Form 1099-DIV** for these dividends.

If you received, as a nominee, dividends that actually belong to someone else, see Schedule B instructions that begin on page 22.

Caution: Be sure to give each payer of dividends your correct social security number. Otherwise, the payer may have to withhold 20% of the dividend income. You may also be subject to penalties.

If the total dividends, including capital gain and nontaxable distributions, are more than \$400, first fill in Schedule B. (The instructions for Schedule B begin on page 22.) If you received \$400 or less in dividends, include only the ordinary dividends on line 9a.

Dividends Include:

- **Ordinary dividends.** These are paid out of earnings and profits and are ordinary income. Assume that any dividend you receive is an ordinary dividend unless the paying corporation tells you otherwise.

- **Capital gain distributions.** If you have other capital gains or losses, you should also enter your capital gain distributions on Schedule D. If you don't need Schedule D to report any other gains or losses, don't use it. Instead, enter 40% of your capital gain distributions on Form 1040, line 14.

- **Nontaxable distributions.** Some distributions are nontaxable because they are a return of your cost. They will not be taxed until you recover your cost. You must reduce your cost (or other basis) by these distributions. After you get back all of your cost (or other basis), you must report these distributions as capital gains.

Note: Generally, payments from a money market fund are dividends.

Do Not Report as Dividends

- Mutual insurance company dividends that reduced the premiums you paid.
- Amounts paid on deposits or accounts from which you could withdraw your money, such as mutual savings banks, cooperative banks, and credit unions. Remember to report these amounts as interest on line 8.

Line 9b

Dividend Exclusion

You can exclude (subtract) up to \$100 of qualifying dividend income. If you and your spouse file a joint return, you can subtract up to \$200, regardless of which spouse received the dividends.

Dividends must be from a domestic corporation to qualify for the exclusion. Dividends from mutual funds (other than money market funds) generally qualify for the exclusion. The corporation will tell you how much of the dividend qualifies.

The following taxable dividends **do not** qualify for the exclusion.

- Dividends from money market funds unless the corporation has told you how much of the dividends qualify.
- Dividends from foreign corporations, including controlled foreign corporations.

- Dividends from exempt organizations (charitable, fraternal, etc.) and exempt farmers' cooperative organizations.

- Dividends paid on stock held by employee stock ownership plans.

Line 10

Taxable Refunds of State and Local Income Taxes

If you received a refund (or credit or offset) of state or local income taxes in 1986 that you paid and deducted before 1986, you may have to report all or part of this amount as income if your itemized deduction for state and local income taxes in the year you paid the taxes resulted in a tax benefit. You may receive **Form 1099-G**, Statement for Recipients of Certain Government Payments, or similar statement, showing the refund.

Any part of a refund of state or local income taxes paid before 1986 that you were entitled to receive in 1986 but chose to apply to your 1986 estimated state income tax is considered to have been received in 1986.

Do not report the refund as income if it was for a tax you paid in a year for which you did not itemize deductions on Schedule A (Form 1040), or it was for a year in which you filed Form 1040A or Form 1040EZ.

If the refund was for a tax you paid in a year for which you itemized deductions on Schedule A, use the following worksheet to figure the amount, if any, you must report as income for 1986.

However, see **Recoveries in Publication 525**, Taxable and Nontaxable Income, instead of using the worksheet below if any of the following applies:

- The refund you received in 1986 is for a tax year other than 1985.
- You received a refund (other than an income tax refund, such as a real property tax refund) in 1986 of an amount you deducted or credit you claimed in an earlier year.
- Your 1985 taxable income was less than your zero bracket amount.
- Your last payment of 1985 estimated state income tax was made in 1986.
- You were liable for the alternative minimum tax in 1985.
- You could not deduct the full amount of the credits you were entitled to in 1985 because the total credits exceeded the tax shown on your 1985 Form 1040, line 40.

Worksheet (Keep for your records)

1. Enter the income tax refund from **Form(s) 1099-G** (or similar statement) _____
2. Enter the amount from your 1985 Schedule A, line 26 _____
3. **Taxable part of your refund.** Compare the amounts on lines 1 and 2 above, and enter the **smaller** of the two amounts here and on Form 1040, line 10 _____

Line 11

Alimony Received

Enter amounts you received as alimony or separate maintenance. You must let the person who made the payments know your

social security number. If you do not provide this information to the payer, you may have to pay a \$50 penalty. For more details, get **Publication 504**, Tax Information for Divorced or Separated Individuals.

If you received payments under a divorce or separation instrument executed after 1984, see the instructions for line 29 on page 12 for information on the rules that apply in determining whether these payments qualify as alimony.

Line 14

Capital Gain Distributions

If you do not need Schedule D for other capital transactions, enter 40% of your capital gain distributions on line 14.

Line 15

Other Gains or (Losses)

If you sold or exchanged assets used in a trade or business, see the instructions for **Form 4797**. Enter the gain or (loss) from Form 4797.

Line 16

Fully Taxable Pensions, IRA Distributions, and Annuities

Use this line to report fully taxable pension and annuity income and regular individual retirement arrangement (IRA) distributions you receive. In general, you should receive a **Form W-2P** showing the amount of your pension or annuity. Also see **Lump-Sum Distributions** on page 10.

Your pension or annuity payments are fully taxable if:

- you did not contribute to the cost of your pension or annuity, or
- you got back tax-free your entire cost before 1986.

Fully taxable pensions and annuities also include military retirement pay shown on Form W-2P and distributions from an IRA (including premature distributions, but not rollovers).

Enter on line 16 any taxable railroad retirement benefits from Box 12 of your **Form RRB-W-2P**. If an amount is shown in Box 13 of your form, get **Publication 575**, Pension and Annuity Income, for information on how to report your benefits.

Other pensions and annuities, including rollovers, should be shown on lines 17a and 17b.

For more details, get Publication 575.

Lines 17a and 17b

Other Pensions and Annuities, Including Rollovers

Use lines 17a and 17b to report pension and annuity income that is not fully taxable. In general, you should receive a **Form W-2P** showing the amount of your pension or annuity. If your Form W-2P does not show the taxable part of your pension or annuity, you must figure the taxable amount as explained on page 10. Also, use these lines to report distributions from profit-sharing plans, retirement plans, employee-savings plans, and individual retirement arrangement rollovers.

Do not use lines 17a and 17b to report social security or railroad retirement benefits shown on **Forms SSA-1099** and **RRB-1099**. Instead, see the instructions for lines 21a and 21b.

The pension, annuity, or employee-savings plan amounts may not be taxable until a later year if you meet **ALL 3** of the following requirements:

1. Both you and your employer contributed to the pension or annuity.
2. Your annuity starting date is before July 2, 1986. (Your annuity starting date is the later of the first day of the first period for which you receive a payment from the plan or the date on which the plan's obligations became fixed.)
3. The total amount you can expect to receive within 3 years from the date of your first annuity payment equals or exceeds your full cost. (Your cost includes amounts you contributed and amounts your employer contributed that you reported as income.)

If you meet **ALL 3** of the above requirements, complete the worksheet below to figure the taxable part of your pension or annuity. After you get back your full cost, all payments you receive are fully taxable.

Example.—You retired in 1986 with a monthly pension of \$400. Both you and your employer contributed to it. Your annuity starting date is May 1, 1986. Your pension cost was \$9,850. The amount you can expect to receive within 3 years is \$14,400 (36 months x \$400 = \$14,400). Since this amount is more than your cost, you should exclude your pension until the payments total \$9,850. After that, they are fully taxable and should be reported on line 16.

If you **do not** meet **ALL 3** of the above requirements, you must use a special method to figure the taxable part of your pension or annuity. For details, get **Publication 575**, Pension and Annuity Income. If you must use this method, enter the amount you received this year on line 17a. Enter the taxable part on line 17b.

Pension and Annuity Worksheet
(Keep for your records)

- 1a. Enter your cost _____
- b. Cost recovered in prior years . . . _____
- c. Subtract line 1b from line 1a . . . _____
2. Amount received this year. Also enter this amount on Form 1040, line 17a _____
3. Enter amount from line 1c above _____
4. **Taxable amount.** Subtract line 3 from line 2. Enter the result (but not less than zero). Also enter this amount on Form 1040, line 17b _____

Note: If you had more than one pension or annuity that is not fully taxable, figure the taxable part of each separately. Enter the total of the taxable parts on Form 1040, line 17b.

Caution: Certain transactions, such as loans against your interest in a qualified plan, may be treated as taxable distributions and may also be subject to penalties. For details, see Publication 575.

For more information on pensions and annuities, get Publication 575. Retirees from the Federal government should get **Publication 567**, U.S. Civil Service Retirement and Disability. For information

on military disability pensions, get **Publication 525**, Taxable and Nontaxable Income.

Total Distributions From Profit-Sharing, Retirement Plans, and Individual Retirement Arrangements Rollover Distributions. A "rollover" is a tax-free transfer of cash or other assets from one retirement program to another. There are two kinds of rollovers to an individual retirement arrangement (IRA): (1) a rollover from one IRA to another, and (2) a rollover from a qualified employer's plan to an IRA.

Rollover distributions are reported to you on **Form 1099-R**. For a rollover distribution, enter the total distribution (excluding your nondeductible contribution, if any) on line 17a. If the total on line 17a was rolled over, enter zero on line 17b. Otherwise, enter the part that was not rolled over as ordinary income on line 17b. Special rules apply to partial rollovers of property. For details on partial or total IRA rollovers, get **Publication 590**, Individual Retirement Arrangements (IRAs).

For details on other rollovers, including distributions under qualified domestic relations orders, get **Publication 575**.

Lump-Sum Distributions. If you received a lump-sum distribution from a profit-sharing or retirement plan, report the ordinary income part on line 16 of Form 1040 and the capital gain part on Schedule D (Form 1040). **Form 1099-R** shows the amount of the distribution. You may pay less tax on this distribution if you are eligible to use the special 10-year averaging method. (This method cannot be used for lump-sum distributions from IRA plans.) For more details, get **Form 4972**, Special 10-Year Averaging Method, or **Form 5544**, Multiple Recipient Special 10-Year Averaging Method, and separate instructions.

Beneficiaries—Death Benefit Exclusion
If you are the beneficiary of a deceased employee or deceased former employee, amounts paid to you by, or on behalf of, an employer because of the death of the employee may qualify for a death benefit exclusion of up to \$5,000.

Special rules apply if you are the survivor under a joint and survivor's annuity. For details, get **Publication 575**.

If you are entitled to this exclusion, add it to the cost of the pension or annuity.

Lines 20a and 20b
Unemployment Compensation
Unemployment compensation (insurance) you receive may be taxable under certain conditions.

By February 2, 1987, you should receive a **Form 1099-G** showing the total unemployment compensation paid to you during 1986.

Note: Supplemental unemployment benefits received from a company-financed supplemental unemployment benefit fund are wages. They are not considered unemployment compensation for purposes of this computation. Report these benefits on Form 1040, line 7.

To see if any of the unemployment compensation is taxable, fill in the worksheet that follows.

Unemployment Compensation Worksheet (Keep for your records)

- Check only one box**
- A.** Married filing a joint return—enter \$18,000 on line 8 below.
 - B.** Married not filing a joint return and lived with your spouse at any time during the year—enter -0- on line 8 below.
 - C.** Married not filing a joint return and **DID NOT** live with your spouse at any time during the year—enter \$12,000 on line 8 below.
 - D.** All others—enter \$12,000 on line 8 below.
1. Enter total unemployment compensation from **Form(s) 1099-G** here and on Form 1040, line 20a _____
 2. If you received an overpayment of unemployment compensation in 1986 and repaid it in 1986, enter the repayment here. Also write "repayment" and show the amount repaid on the dotted line to the left of line 20b _____
 3. Subtract line 2 from line 1 _____
 4. Add the amounts shown on Form 1040, lines 7 through 19, plus line 22 (do not include any unemployment compensation in this figure) _____
 5. Add lines 3 and 4 _____
 6. Add the amounts shown on Form 1040, lines 24 through 29, plus any write-in adjustments included in the total on line 31. **Do not** include any amount from line 30 _____
 7. Subtract line 6 from line 5 _____
 8. Enter

}	\$18,000 if you checked box A, or
	-0- if you checked box B, or
	\$12,000 if you checked box C or D

 _____
 9. Subtract line 8 from line 7. If zero or less, enter -0- on Form 1040, line 20b. Do not complete lines 10 or 11. Otherwise, go on to line 10. _____
 10. Divide the amount on line 9 by 2 _____
 11. **Taxable unemployment compensation.** Compare amounts on lines 3 and 10 above, and enter the **smaller** of the two amounts here and on Form 1040, line 20b _____

Lines 21a and 21b
Social Security Benefits (and Railroad Retirement Benefits Treated as Social Security)

Social security benefits you receive may be taxable in some instances. Social security benefits include any monthly benefit under title II of the Social Security Act or the part of a tier 1 railroad retirement benefit treated as a social security benefit. Social security benefits do not include any Supplemental Security Income (SSI) payments.

By February 2, 1987, you should receive a **Form SSA-1099** showing the total social security benefits paid to you in 1986, and the amount of any social security benefits you repaid in 1986. If you received railroad retirement benefits treated as social security, you should receive **Form RRB-1099**. For more information, get **Publication 915**, Social Security Benefits and Equivalent Railroad Retirement Benefits.

Use the worksheet on page 11 to see if any of your benefits are taxable, but please note the following before you begin to complete it.

• You will first need to complete Form 1040, lines 7 through 20b, 22, and 24 through 29 if they apply to you to figure the taxable part, if any, of your benefits.

• If you repaid any benefits in 1986, and your total repayments (Box 4) were more than your total benefits for 1986 (Box 3), **do not** use the worksheet below. None of your benefits are taxable for 1986. But you may be able to take an itemized deduction for part of the excess repayments if they were for benefits you included in gross income in an earlier year. Get Publication 915 for details.

• If you file **Form 2555** or **Form 4563**, or you exclude income from sources within Puerto Rico, use the worksheet in Publication 915 instead of the one below.

Social Security Benefits

Worksheet (Keep for your records)

Check only one box.

- A.** Single—enter \$25,000 on line 8 below.
- B.** Married filing a joint return—enter \$32,000 on line 8 below.
- C.** Married not filing a joint return and lived with your spouse at any time during the year—enter -0- on line 8 below.
- D.** Married not filing a joint return and **DID NOT** live with your spouse at any time during the year—enter \$25,000 on line 8 below.

1. Enter the total amount from **Box 5** of **ALL** your **Forms SSA-1099** and **Forms RRB-1099** (if applicable).

Note: If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go on to line 2.

2. Divide the amount on line 1 by 2 _____
3. Add the amounts on Form 1040, lines 7 through 20b, plus line 22. Do not include here any amounts from Box 5 of Forms SSA-1099 or RRB-1099 _____
4. Enter any tax-exempt interest income you received in 1986. Also enter this interest in the space provided to the left of line 21b. **DO NOT** include this interest on line 21b _____
5. Add lines 2, 3, and 4 _____
6. Add the amounts on Form 1040, lines 24 through 29. Also enter on this line any write-in amount included on line 31. **Do not** include any amount entered on Form 1040, line 30 _____
7. Subtract line 6 from line 5 _____

8. Enter $\left\{ \begin{array}{l} \$25,000 \text{ if you checked} \\ \text{box A or D, or} \\ \$32,000 \text{ if you checked} \\ \text{box B, or} \\ -0- \text{ if you checked box C} \end{array} \right\}$ _____

9. Subtract line 8 from line 7 _____

Note: If line 9 is zero or less, stop here. Do not enter any amounts on lines 21a and 21b because none of your benefits are taxable. Otherwise, go on to line 10.

10. Divide the amount on line 9 by 2 _____
11. **Taxable social security benefits.**
- First, enter on Form 1040, line 21a, the amount from line 1 above.
- Then, compare the amounts on lines 2 and 10 above, and enter the **smaller** of the two amounts on this line and also on Form 1040, line 21b _____

Note: If part of your benefits are taxable for 1986 **AND** they include benefits paid in 1986 that were

for 1985 or 1984, you may be able to reduce the taxable amount shown on the worksheet. Get Publication 915 for details.

Line 22

Other Income

Use line 22 to report any income you can't find a place for on your return or other schedules. List the type and amount of income. For more information, see **Miscellaneous Taxable Income in Publication 525**, Taxable and Nontaxable Income.

Caution: Do not report any income from self-employment on line 22. If you do have any income from self-employment, you must use *Schedule C* or *Schedule F*. Amounts your employer paid you for business expenses that are more than you spent for the actual business expenses should be added to the wages shown on line 7 unless they were already included on your Form W-2.

Examples of income to be reported on line 22 are:

- Prizes, awards, and gambling winnings. Proceeds from lotteries, raffles, etc., are gambling winnings. You must report the full amount of your winnings on this line. You cannot offset losses against winnings and report the difference.

If you had any gambling losses, you may take them as an itemized deduction on Schedule A. However, you cannot deduct more losses than the winnings you report.

- Repayment of medical expenses or other items such as real estate taxes that you deducted in an earlier year if they reduced your tax. See Publication 525 for information on how to figure the amount to include in income.

- Amounts you recovered on bad debts that you deducted in an earlier year.

- Fees received for jury duty and precinct election board duty.

Net Operating Loss. If you had a net operating loss in an earlier year to carry forward to 1986, enter it as a minus figure on line 22. Attach a statement showing how you figured the amount. Get **Publication 536**, Net Operating Losses and the At-Risk Limits, for more details.

Adjustments to Income

Line 24

Moving Expenses

Employees and self-employed persons (including partners) can deduct certain moving expenses. The move had to be in connection with your job or business.

You can take this deduction only if your change in job location has added at least 35 miles to the distance from your old residence to your work place. If you had no former principal work place, your new principal work place must be at least 35 miles from your former residence.

If you meet these requirements, you should see **Form 3903** for details. Use Form 3903 to figure the amount of moving expenses to enter on line 24. If you began

work at a new work place outside the United States or its possessions, see **Form 3903F**.

If your employer paid for any part of your move, you must report that amount as income on Form 1040, line 7. Your employer should give you a **Form 4782** and include the amount paid in the wages, tips, and other compensation box (Box 10) on your **Form W-2**.

Line 25

Employee Business Expenses

You can deduct certain business expenses that were not paid by your employer. Travel, transportation (but not commuting to and from work), and meals and lodging can be deducted on line 25 even if you do not itemize deductions on Schedule A. You must use **Form 2106** to claim the deduction. All other business expenses, such as union or professional dues, tools, and uniforms, that were not paid by your employer can be deducted only as an itemized deduction on Schedule A. Outside salespersons must use Form 2106 to claim their business expenses on line 25. For details, see **Tele-Tax Information** in the index (topic no. 214) or get **Publication 463**, Travel, Entertainment, and Gift Expenses, or **Publication 917**, Business Use of a Car.

Line 26

Individual Retirement Arrangement (IRA) Deduction

You can deduct on line 26 contributions made to your IRA (including those made under a Simplified Employee Pension (SEP) plan or to a plan that accepts deductible employee contributions (DECs)). **Schedule C or F filers with a SEP and partners with a SEP take the deduction on line 27.**

You should receive, by June 1, 1987, a statement showing contributions made to your IRA for 1986. Before you figure your IRA deduction, please note the following:

- If you made contributions to your IRA in 1986 that you deducted on your 1985 Federal income tax return, **do not** include those contributions on your 1986 tax return.

- If you made contributions to your IRA in 1987 (by April 15, 1987) for 1986, be sure to include these contributions when you figure your IRA deduction for 1986.

- If your IRA deduction on line 26 is less than your IRA contributions and you do not withdraw this excess contribution before your return is due, file **Form 5329** to pay tax on the excess contribution.

- If you were married and contributions were made to an IRA for your **nonworking spouse** for 1986, you must file a joint return for 1986 to deduct these contributions. A **nonworking spouse** is one who had no wages or other earned income in 1986 or one who, in 1986, chooses to be treated as having no earned income for purposes of the IRA deduction. For example, if one spouse earned only \$100, combined total of up to \$2,250 may be contributed to their IRAs.

- If you were married and you and your spouse worked and you both have IRAs, figure each spouse's deduction separately. Then combine the two deductions and enter the total of the two amounts on line 26.
- Do not include rollover contributions in figuring your deduction. See line 17 instructions on page 10 for more details on rollover contributions.
- Do not include trustee's fees that were billed separately and paid by you for your IRA. These fees can be deducted only as an itemized deduction on Schedule A.

Tax Tip: Alimony payments received under certain divorce or separation instruments are considered earned income for purposes of the IRA deduction. Get **Publication 590, Individual Retirement Arrangements (IRAs)**, for details.

Use the worksheet below to figure your IRA deduction. However, if any of the following applies, use the worksheet in Publication 590 instead of the one below to figure your deduction:

1. Your employer made contributions to your IRA under a SEP plan.
2. You made deductible employee contributions (DECs) to a qualified employer plan.
3. You file **Form 2555**, Foreign Earned Income, to exclude income or housing costs.

IRA Worksheet (Keep for your records)

Your IRA—Complete lines 1 through 4 if you worked (or received alimony that qualifies as earned income) and had an IRA. (If you are married and both spouses work and both have IRAs, figure each spouse's deduction separately.)

- 1a. Amount contributed to your IRA in 1986 that you are deducting for 1986 _____

Note: Do not include on line 1a any amount you contributed in 1986 and deducted on your 1985 return, any employer's SEP contributions, any DECs, or any rollover contributions.

- 1b. Amount contributed to your IRA in 1987, by April 15, 1987, that you are deducting for 1986 _____

- 1c. Add lines 1a and 1b. Enter the total _____

2. Enter your wages and other earned income from Form 1040, minus any deduction you claim on Form 1040, line 27. (Do not include your spouse's income and do not reduce your wages by losses from self-employment.) _____

3. Maximum amount **\$2,000**

4. Compare amounts on lines 1c, 2, and 3, and enter the **smallest** of the three amounts on line 4. If you do not have an IRA for your nonworking spouse (as defined on page 11), stop here and enter the amount from line 4 of this worksheet on Form 1040, line 26. Otherwise, go on to line 5a _____

Complete lines 5a through 10 ONLY if contributions were made to an IRA for your nonworking spouse (as defined on page 11).

- 5a. Amount contributed to your nonworking spouse's IRA in 1986 that you are deducting for 1986 _____

Note: Do not include on line 5a any amount you contributed in 1986 and deducted on your 1985 return, or any rollover contributions.

- 5b. Amount contributed to your nonworking spouse's IRA in 1987, by April 15, 1987, that you are deducting for 1986 _____

- 5c. Add lines 5a and 5b. Enter the total _____

6. Enter the amount from line 2 of this worksheet _____

7. Maximum amount **\$2,000**

8. Compare amounts on lines 5c, 6, and 7, and enter the **smallest** of the three amounts on line 8 _____

9. Add amounts on lines 4 and 8 and enter the total, but **do not** enter more than \$2,250. _____

10. Compare the amounts on lines 6 and 9 and enter the **smaller** of the two amounts on line 10. Also enter this amount on Form 1040, line 26. _____

Line 27

Keogh Retirement Plan and Self-Employed SEP Deduction

Caution: You must be self-employed to claim the Keogh deduction. Sole proprietors and partners enter the allowable deduction for contributions to your Keogh plan and your SEP on line 27.

There are two types of Keogh retirement plans:

- **Defined-contribution plan.**—This plan provides an individual account for each person in the plan. In general, if contributions to the plan are geared to the employer's profits, the plan is a profit-sharing plan. If contributions are not based on the employer's profits, the plan is a money purchase pension plan.
- **Defined-benefit plan.**—The deduction for this type of plan is determined by the investment needed to fund a specific benefit at retirement age. Write "DB" on the line to the left of the amount if you have a defined-benefit plan.

For more details, get **Publication 560, Self-Employed Retirement Plans**.

Line 28

Penalty on Early Withdrawal of Savings

The **Form 1099-INT** given to you by your bank or savings and loan association will show the amount of any penalty you were charged because you withdrew funds from your time savings deposit before its maturity. Enter this amount on line 28. (Be sure to include the interest income on Form 1040, line 8.)

Line 29

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 or a decree for support. Don't 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 details, see **Tele-Tax Information** in the index (topic no. 219) or get **Publication 504, Tax Information for Divorced or Separated Individuals**.

Caution: You must enter the recipient's last name, if different than yours, and his or her social security number in the space provided on line 29. If you don't, you may have to pay a \$50 penalty and your deduction may be disallowed. If you paid alimony to more than one person, enter the social security number and last name, if applicable, of one of the recipients. Show the required information for the other recipient(s) on an attached statement. Enter your total payments on line 29.

Divorce or Separation Instruments Executed After 1984. Generally, you may deduct any payment made in cash to, or on behalf of, your spouse or former spouse under a divorce or separation instrument executed after 1984 if:

- the instrument does not prevent the payment from qualifying as alimony, **and**
- you and your spouse or former spouse did not live together when the payment was made if you were separated under a decree of divorce or separate maintenance, **and**
- you are not required to make any payment after the death of your spouse or former spouse, **and**
- the payment is not treated as child support.

These rules also apply to certain instruments modified after 1984. Other rules apply if you paid more than \$10,000 in any calendar year. For more details, see Publication 504.

Line 30

Deduction for a Married Couple When Both Work

You can claim a deduction if:

- you are married filing a joint return,
- both you and your spouse have qualified earned income, and
- you do not file **Form 2555** or **Form 4563**.

Complete **Schedule W** (Form 1040) to figure the amount of your deduction.

Line 31

Total Adjustments

Add lines 24 through 30 and enter the total on line 31. Also include in the total on line 31 any of the following adjustments.

Forestation/Reforestation Amortization.

If you can claim a deduction for amortization of the costs of forestation or reforestation and you do not have to file Schedule C or Schedule F for this activity, include your deduction in the total on line 31. Write "Reforestation" in the space to the left of the total.

Repayment of Sub-Pay Under the Trade Act of 1974.

If you repaid supplemental unemployment benefits (sub-pay) that you previously reported in income because you became eligible for payments under the Trade Act of 1974, include the amount you repaid in 1986 in the total on line 31. Write "Sub-pay TRA" in the space to the left of the total. Or, you may be able to claim a credit against your tax instead. Get **Publication 525, Taxable and Nontaxable Income**, for more details.

Line 32

Adjusted Gross Income

If line 32 is less than zero, you may have a net operating loss that you can carry to another tax year. If you carry the loss back to earlier years, see **Form 1045**. For more information, get **Publication 536**, Net Operating Losses and the At-Risk Limits.

IRS Will Figure Your Tax and Some of Your Credits

If you want us to, we will figure your tax for you. If you paid too much, we will send you a refund. If you did not pay enough, we will bill you for the balance. You will not be charged interest or the penalty for late payment if the bill for tax due is paid within 30 days of the notice date, or by the due date for your return, whichever is later.

We can figure your tax if you meet all of the conditions described below:

- All of your income for 1986 was from one or more of these sources:
 - a. Salaries, wages, and tips.
 - b. Interest.
 - c. Dividends.
 - d. Pensions or annuities.
- You do not itemize deductions.
- You do not file **Schedule G**, Income Averaging.
- You do not file **Form 2555**, Foreign Earned Income.
- Your adjusted gross income (line 32) is not more than \$50,000.
- You (and your spouse if you are filing a joint return) sign and date your return and mail it by April 15, 1987.
- You do not want any of your refund applied to next year's estimated tax.
- You give us enough information so that we can figure the tax. Please read the following instructions:
 - a. Fill in the parts of your return through line 37 that apply to you. The Line-By-Line Instructions that start on page 4 explain how to fill in your return.
 - b. Read lines 41 through 63. Fill in the lines that apply to you, but do not fill in the Total lines. Please be sure to fill in line 56 for Federal income tax withheld. See the instructions below if you want us to figure your credit for the elderly or for the permanently and totally disabled, or earned income credit.
 - c. If you are filing a joint return, use the space under the words "Adjustments to Income" on the front of your return to show your taxable income and your spouse's taxable income separately.
 - d. Fill in any forms or schedules asked for on the lines you completed, and attach them to the return when you file it.

We will figure the following credits too. Fill in your return through line 37 as explained above. Follow the instructions below and sign, date, and mail your return before the due date.

Credit for the Elderly or for the Permanently and Totally Disabled.—If you qualify to take this credit, follow the instructions below. Be sure to attach **Schedule R** to your return. Write "CFE" on the dotted line to the left of line 42.

Check the box on Schedule R for your filing status and age, and fill in lines 11 and 13 if applicable. Also, complete Part II if applicable.

Earned Income Credit.—If you qualify to take this credit (see the instructions for line 58 on page 16), write "EIC" on line 58.

Tax Computation

Line 34a

You will fall into one of the three classes below:

- You **MUST** itemize deductions, or
- You choose to itemize, or
- You do not itemize.

The three classes are described below.

You MUST Itemize Deductions

You must itemize deductions if:

A. You can be claimed as a dependent on your parents' return and had interest, dividends, or other unearned income of \$1,080 or more. Generally, this means that you must complete and attach Schedule A and complete the worksheet on this page. However, there are two exceptions to this rule.

Exception 1. You don't have to itemize deductions on Schedule A or complete the worksheet if you have earned income* of \$2,480 or more if single (\$1,835 or more if married filing a separate return). Enter zero (0) on line 34a and go on to line 34b.

Exception 2. You don't have to use Schedule A if you know that your earned income* is more than your itemized deductions. Instead, use the worksheet on this page after completing line 33 of Form 1040 and enter your earned income on line 3 of the worksheet.

Note: If your unearned income is less than \$1,080, you don't have to use Schedule A or the worksheet—enter zero (0) on line 34a and go on to line 34b.

In any case, be sure to check the box below line 34a.

B. You are married, filing a separate return, and your spouse itemizes deductions.

C. You file **Form 4563** to exclude income from sources in U.S. possessions. (For details, get **Publication 570**, Tax Guide for U.S. Citizens Employed in U.S. Possessions.)

D. You had dual status as a nonresident alien for part of 1986, and during the rest of the year you were either a resident alien or a U.S. citizen. However, you do not have to itemize if you file a joint return with your spouse who was a U.S. citizen or resident at the end of 1986 and you and your spouse agree to be taxed on your combined worldwide income.

After you've completed Schedule A:

a. If Schedule A, line 24, is more than line 25, enter the amount from Schedule A, line 26, on Form 1040, line 34a. Do not complete the worksheet on this page.

b. If Schedule A, line 25, is more than line 24, do not fill in Form 1040, line 34a. Go to the worksheet on this page instead and complete it to figure the amount to enter on Form 1040, line 35.

Worksheet (Keep for your records)

1. Enter the amount from Form 1040, line 33 _____
 2. If you checked Form 1040, Filing Status Box:

2 or 5, enter \$3,670	}	
1 or 4, enter \$2,480		
3, enter \$1,835		
 3. Enter the amount from Schedule A, line 24 (or, if you can be claimed as a dependent on your parents' return, enter earned income if earned income is more) _____
- Caution:** If you can be claimed as a dependent on your parents' return, be sure you check the box below line 34a of Form 1040.
4. Subtract line 3 from line 2 _____
 5. **Add lines 1 and 4.** Enter here and on Form 1040, line 35. (Leave Form 1040, lines 34a through 34d blank. Disregard the instruction to subtract line 34a or 34d from line 33. Follow the rest of the instructions for Form 1040 to complete your return.) _____

The example below may help you to complete this worksheet.

Example.—Walter Green is single and is claimed as a dependent on his parents' return. Walter's adjusted gross income, Form 1040, line 33, is \$4,000. Of this amount, \$1,500 was wages and \$2,500 was unearned income that he received as a beneficiary of a trust. Because Walter is being claimed as a dependent on his parents' return and has unearned income of \$1,080 or more and earned income of less than \$2,480, he must use the worksheet. His total itemized deductions are only \$500. Since this is less than his earned income (\$1,500), he does not have to complete Schedule A. Walter enters \$2,480, the zero bracket amount for a single individual, on line 2 and his earned income on line 3. He completes the worksheet as shown below and enters the total of \$4,980 on Form 1040, line 35. He then completes his return using the instructions that follow line 35.

- | | |
|--|---------|
| 1. Adjusted gross income | \$4,000 |
| 2. Zero bracket amount for a single individual | \$2,480 |
| 3. Earned income | 1,500 |
| 4. Subtract line 3 from line 2 | 980 |
| 5. Add lines 1 and 4. Enter here and on Form 1040, line 35 | \$4,980 |

Note: If Walter's itemized deductions had been more than his earned income, he would have had to complete Schedule A first.

***Earned income** includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed.

Generally, your earned income is the total of the amount(s) you reported on Form 1040, lines 7, 12, and 19.

Earned income does not include amounts that are actually a distribution of corporate earnings or profits rather than a reasonable allowance as compensation for your work for a corporation.

If you were engaged in a trade or business in which both your services and capital were important income-producing factors, a reasonable amount of compensation for the services you performed will be considered earned income. However, the amount treated as earned income may not be more than 30 percent of your share of the net profits from the business.

You Choose To Itemize

You may choose to itemize your deductions if you are:

- Married and filing a joint return, or a Qualifying widow(er) with dependent child, and your itemized deductions are more than \$3,670.
- Married and filing a separate return, and your itemized deductions are more than \$1,835.
- Single, or a Head of household, and your itemized deductions are more than \$2,480.

If you do itemize, complete and attach Schedule A and enter the amount from Schedule A, line 26, on Form 1040, line 34a.

Caution: Certain taxpayers must itemize even though their itemized deductions are less than the amount shown above for their filing status. See "You MUST Itemize Deductions" on page 13.

You Do Not Itemize

If your itemized deductions are less than the amount shown above for your filing status (or you choose not to itemize), enter zero on line 34a, unless you **MUST** itemize as described on page 13.

Lines 34b through 34d Deduction for Charitable Contributions

For 1986, you may deduct what you actually gave to qualified charitable organizations if you do not itemize your deductions on Schedule A (Form 1040).

Include what you gave to, or for the use of, a qualified organization. Examples of qualified organizations are churches, United Way, and nonprofit schools and hospitals.

Contributions may be in cash (keep cancelled checks, receipts, or other reliable written records showing the name of the organization and the date and amount given), property, or out-of-pocket expenses you paid to do volunteer work for a qualified organization.

For more details on what qualifies as a charitable contribution and the limits that apply to the amount that may be deducted, see the instructions for contributions on page 21.

Line 34b. Enter your total cash contributions (including out-of-pocket expenses). If you gave cash of \$3,000 or more to any one organization, on the dotted line next to this total show to whom and how much you gave.

Line 34c. Enter your total gifts of property. If the total is more than \$500, you must complete and attach **Form 8283**, Noncash Charitable Contributions. For information on the records you must keep for gifts of property, see **Recordkeeping** on page 21.

Line 36

Exemptions

Use the following chart to find the amount to enter on line 36. If you claimed more than 10 exemptions, multiply \$1,080 by the total number of exemptions entered on line 6f.

If the number
on Form 1040,
line 6f, is:

1
2
3
4
5
6
7
8
9
10

On Form 1040,
line 36,
enter:

\$1,080
2,160
3,240
4,320
5,400
6,480
7,560
8,640
9,720
10,800

Line 38

Tax

To figure your tax, use one of the following methods.

Tax Rate Schedules

You must use the Tax Rate Schedules to figure your tax if your taxable income is \$50,000 or more.

Also use the Tax Rate Schedules if you use **Schedule G**, Income Averaging, to figure your tax. You may pay less tax by using this method if there has been a large increase in your income this year. In some cases, you may benefit even if your 1986 income did not increase substantially. This will depend on the amount of your taxable incomes in the three base years (1983-1985). Get Schedule G to see if you qualify.

There is an example at the beginning of the schedules to help you figure the correct tax.

Tax Table

If neither of the above conditions applies to you, you **MUST** use the Tax Table to find your tax.

Be sure you use the correct column in the Tax Table. After you have found the correct tax, enter that amount on line 38.

There is an example at the beginning of the table to help you find the correct tax.

Line 39

Additional Taxes

Check the box(es) on line 39 to report any of the additional taxes listed below.

Form 4970, Tax on Accumulation Distribution of Trusts.

Form 4972, Special 10-Year Averaging Method.

Form 5544, Multiple Recipient Special 10-Year Averaging Method.

Credits

Line 41

Credit for Child and Dependent Care Expenses

You may be able to take a credit on line 41 for payments you made for child and disabled dependent care while you (and your spouse if you were married) worked or looked for work.

The credit is allowed if you kept up a home that included a child under age 15 or your dependent or spouse who could not care for himself or herself. Use **Form 2441** to figure the amount of any credit.

Please see Form 2441 for more information, including special rules for divorced or separated parents and certain employment taxes for which you may be liable.

Line 42

Credit for the Elderly or for the Permanently and Totally Disabled

You may be able to take this credit and reduce your tax if, by the end of 1986, you were:

- age 65 or over, or
- under age 65, you retired on permanent and total disability, and you had taxable disability income in 1986.

For more information, see the separate instructions for **Schedule R**. Enter the credit on line 42.

If you want IRS to figure the credit for you, see **IRS Will Figure Your Tax and Some of Your Credits** on page 13.

Line 43

Partial Credit for Political Contributions for Which You Have Receipts

You may take a tax credit on this line for contributions to candidates for public office and to newsletter funds and political committees of candidates and elected public officials.

Caution: Do not take this credit for the \$1 or \$2 you checked to go to the Presidential Election Campaign Fund.

To figure your credit, add up the amounts you gave. Enter half of this total on line 43, but do not enter more than \$50 (\$100 if you are married and filing a joint return).

Note: You cannot deduct political contributions as charitable contributions.

For more information, please get **Publication 585**.

Line 44

Add lines 41 through 43 and enter the total on line 44. Also include in the total on line 44 any of the following credits.

Carryforward of Residential Energy Credit. Generally, if you have an energy credit carryforward from a prior tax year, you may take a credit against your tax. Use **Form 5695**, Residential Energy Credit Carryforward, to figure the amount allowed as a credit for 1986. Include the amount of the credit in your total for line 44. On the dotted line next to this total, write "REC" (residential energy credit) and show the amount.

Mortgage Interest Credit. You may be able to take a credit for part of the interest you paid on your home mortgage if you were issued a mortgage credit certificate by a state or local government under a qualified mortgage credit certificate program to buy, rehabilitate, or make improvements to your principal residence. Use **Form 8396**, Mortgage Interest Credit, to figure the credit. Include the amount of the credit in your total for line 44. On the dotted line next to this total, write "MIC" (mortgage interest credit) and show the amount.

Line 46

Foreign Tax Credit

Form 1116 explains when you can take this credit for payment of income tax to a foreign country. Also get **Publication 514**. Enter the credit from Form 1116 on line 46.

Line 47

General Business Credit

Check the box(es) on line 47 if you can take any of the four credits listed below. Use the appropriate credit form (as described below) to figure the credit. If you have only one credit, enter on line 47 the amount of the credit from the form.

However, if you have a credit carryforward or take two or more of these credits, you must also complete **Form 3800** to figure the total credit and enter on line 47 the amount from Form 3800. Also be sure to check the box on line 47 for Form 3800.

Form 3468, Computation of Investment Credit. This credit was generally repealed for property placed in service after 1985. For exceptions, see Form 3468.

Form 5884, Jobs Credit. If you are a business employer who hires people who are members of special targeted groups, you may qualify for this credit. Use Form 5884 to figure the credit. Get **Publication 906, Jobs and Research Credits**, for more details.

Form 6478, Credit for Alcohol Used as Fuel. If you sell straight alcohol (or an alcohol mixture) at retail or use it as fuel in your trade or business, you may be able to take a credit for the alcohol used as fuel. Use Form 6478 to figure the credit.

Form 6765, Credit for Increasing Research Activities. You may be able to take a credit for research and experimental expenditures paid or incurred in carrying on your trade or business. Use **Form 6765** to figure the credit.

Line 48

Add amounts on lines 46 and 47 and enter the total on line 48. Also include in the total on line 48 any Credit for Fuel From a Nonconventional Source.

Credit for Fuel From a Nonconventional Source. A credit is allowed for the sale of qualified fuels produced from a nonconventional source. See I.R. Code section 29 for a definition of qualified fuels, provisions for figuring the credit, and other special rules. Attach a separate schedule showing how you figured the credit. Include the credit in the total for line 48. On the dotted line next to this total, write "FNS" and show the amount.

Other Taxes

Line 50

Self-Employment Tax

If you had self-employment income in 1986, and earned under \$42,000 in wages from which social security tax or RRTA tax was withheld, you may have to pay self-employment tax. Please see **Schedule SE** (Form 1040) and instructions. If you have to pay self-employment tax, enter the amount from Schedule SE, line 14.

Line 51

Alternative Minimum Tax

You may be liable for the alternative minimum tax if your adjusted gross income added to your tax preference items total more than:

- \$40,000 if married filing jointly or qualifying widow(er) with dependent child, or
- \$30,000 if single or head of household, or
- \$20,000 if married filing separately.

Tax preference items include:

- dividend exclusion,
- accelerated depreciation,
- amortization of certified pollution-control facilities,
- capital gain deduction,
- mining exploration and development costs,
- reserves for losses on bad debts of financial institutions,
- depletion,
- incentive stock options,
- intangible drilling costs, and
- circulation and research and experimental expenditures.

Get **Form 6251** to see if you owe this tax.

Line 52

Tax From Recapture of Investment Credit

You may owe this tax if you disposed of investment credit property before the end of its useful life or recovery period.

See **Form 4255** for details. Enter any tax from Form 4255 on this line.

Line 53

Social Security Tax on Tip Income Not Reported to Employer

If you received tips of \$20 or more in any month and you did not report the full amount to your employer, you must pay the social security or railroad retirement tax on the unreported tips.

To figure the amount of social security tax on unreported tips, complete **Form 4137** and attach it to your Form 1040. Enter the tax on this line.

To determine the amount of railroad retirement tax on unreported tips, contact your nearest Railroad Retirement Board office. On line 53, enter the tax and on the dotted line next to it, write "RRTA."

Be sure all your tips are reported as income on Form 1040, line 7.

You may be charged a penalty equal to 50% of the social security tax due on tips you received and did not report to your employer.

Line 54

Tax on an IRA

If you owe tax on any early distributions from your IRA, any excess contributions made to your IRA, or any excess accumulations in your IRA account, use **Form 5329** to figure the tax. Enter the total tax on line 54.

Line 55

Total Tax

Add lines 49 through 54. Put the total on line 55. Also include on line 55 any of the four taxes listed below that apply.

Section 72 Penalty Taxes. If you are or were a 5% owner of a business and you received income from a premature or excessive distribution from a Keogh plan or trust, you may have to pay a penalty tax of 10% of the distribution. Get **Publication 560** for more details. Or, if you were an employee, you made any deductible contributions to your employer's qualified

plan, and received income from a premature distribution, you may have to pay a penalty tax.

If you received certain premature distributions from an annuity contract, you may have to pay a 5% penalty tax on the taxable part of the distribution. Get **Publication 575** for more details.

Include the amount of the penalty in your total for line 55. On the dotted line next to this total, write "Section 72 penalty" and show the amount.

Advance Earned Income Credit (EIC)

Payments. If you received advance EIC payments (AEIC), the amount will be shown on your Form W-2. Include the amount of these payments in your total for line 55. On the dotted line next to this total, write "AEIC" and show the amount.

Note: The amount of earned income credit that you can actually take will be figured on the worksheet shown on page 16 and entered on line 58.

Uncollected Employee Social Security and RRTA Tax on Tips.

If you did not have enough wages to cover the social security tax or railroad retirement tax (RRTA) due on tips you reported to your employer, the amount of tax due will be shown on your Form W-2. Include that amount in the total on line 55. On the dotted line next to this total, write "Uncollected Tax on Tips" and show the amount.

Golden Parachute Payments. Golden parachute payments are certain payments made by a corporation to key employees to compensate them if control of the corporation changes. If you received an excess parachute payment (EPP), you must pay a tax equal to 20% of this excess payment. Include the amount of this tax in your total for line 55. On the dotted line next to this total, write "EPP" and show the amount of the tax.

If you received a **Form W-2** that includes a parachute payment, the amount of tax withheld on any excess payment should be identified in Box 16 of Form W-2. Include the amount from Box 16 in the total for line 55.

If you received a **Form 1099-MISC** that includes a parachute payment, any excess payment will be separately identified on the form. Multiply the excess payment by 20% to figure the amount to include in the total for line 55.

Payments

Line 56

Total Federal Income Tax Withheld

Add the amounts shown as Federal income tax withheld on your **Forms W-2, W-2G, W-2P, and 1099-R**. Enter the total on line 56. The amount of Federal income tax withheld should be shown in Box 9 of Form W-2, Box 2 of Form W-2G, Box 11 of Form W-2P, and Box 4 of Form 1099-R.

If line 56 includes amounts withheld as shown on Form 1099-R, on the dotted line to the left of line 56, write "Form 1099-R."

Backup Withholding. If you were subject to backup withholding on dividends, interest income, or other income you received during 1986, include the amount withheld in the total on line 56. This should be shown in Box 4 on the 1099 forms. On the dotted line next to this total, write "Form 1099."

Line 57

1986 Estimated Tax Payments

Enter on this line any payments you made on your estimated Federal income tax (**Form 1040-ES**) for 1986. Include any overpayment from your 1985 return that you applied to your 1986 estimated tax.

If you and your spouse paid joint estimated tax but are now filing separate income tax returns, either of you can claim all of the amount paid. Or you can each claim a part of it. Please be sure to show both social security numbers on the separate returns. If you or your spouse paid separate estimated tax, but you are now filing a joint income tax return, add the amounts you each paid.

Follow the above instructions even if your spouse died.

Divorced Taxpayers. If you were divorced during 1986 and you made joint estimated tax payments with your former spouse, please enter your former spouse's social security number in the block provided on the front of Form 1040. In the upper right corner of the return, above the social security numbers, write "DIV" (divorced).

If you were divorced and remarried in 1986, enter your present spouse's social security number in the block provided on the front of Form 1040. Also, enter your former spouse's social security number in the upper right corner above the blocks and write "DIV" above that number.

Name Change. If you changed your name because of marriage, divorce, etc., and you made estimated tax payments using your former name, attach a statement to the front of Form 1040 explaining all the payments you and your spouse made in 1986, the Service Center where you made the payments, and the name(s) and social security number(s) under which you made the payments.

Line 58

Earned Income Credit

The earned income credit helps many taxpayers who have a child and have earned incomes and adjusted gross incomes of less than \$11,000. If you can take the credit, you can subtract it from tax you owe or get a refund even if you had no tax withheld from your pay. The credit can be as much as \$550.

Note: If you received advance earned income credit payments from your employer(s), see the instructions for line 55 on page 15 for information on how to report these payments.

Who Can Take the Credit?

You may be able to take the credit if you meet **ALL** 5 of the following conditions:

1. You received wages, salaries, tips, or other earned income (see "Earned income includes" on this page).
2. The amount on Form 1040, line 33, is less than \$11,000.
3. You have a child (see "Definition of Child" that begins on this page) who lived with you in the same principal residence in the U.S. for more than 6 months during 1986 (for all of 1986 if your filing status is qualifying widow(er) with dependent child).

4. You do not file **Form 2555**, Foreign Earned Income, or **Form 4563**, Exclusion of Income From Sources in United States Possessions.

5. Your filing status is married filing joint return, qualifying widow(er) with dependent child, or head of household. In addition, special rules apply to each of these three filing statuses.

Married Filing Joint Return. Your child must be claimed as your dependent on Form 1040, line 6c. **Exception.** If your spouse is not your child's parent and the child's other parent (the noncustodial parent) claimed him or her as a dependent under the rules explained on page 7 for **Children of Divorced or Separated Parents**, you can take the credit if you meet all 5 of the conditions listed above. If you can take the credit because of this exception, you must enter the child's name on the dotted line to the left of line 58.

Qualifying Widow(er) With Dependent Child. Your child must be claimed as your dependent on Form 1040, line 6c.

Head of Household. If your child was **unmarried** for 1986, you must enter that child's name in the space provided on Form 1040, line 4 (or line 6c if you claimed that child as a dependent).

If your child was **married** for 1986, this child must be claimed as your dependent on Form 1040, line 6c. **Exception.** If this child's other parent claimed him or her as a dependent under the rules explained on page 7 for **Children of Divorced or Separated Parents**, you can take the credit if you meet all 5 of the conditions listed above. If you can take the credit because of this exception, you must enter the child's name on the dotted line to the left of line 58 unless you entered the child's name in the space provided on Form 1040, line 4.

If you meet all of the conditions listed above, use the worksheet below to figure the credit. Otherwise, do not fill in the

worksheet. Instead, enter "NO" on Form 1040, line 58, and go on to line 59.

If you want IRS to figure the credit for you, see **IRS Will Figure Your Tax and Some of Your Credits** on page 13.

You may be able to receive advance payments of the credit by filing **Form W-5** with your employer.

For more details about the credit, get **Publication 596**, Earned Income Credit.

Earned income includes:

- Wages, salaries, and tips.
- Earnings from self-employment—this is usually the amount shown on Schedule SE (Form 1040), line 9.
- Anything else of value (money, goods, or services) you get from your employer for services you performed regardless of whether it is taxable.

Note: The following are examples of amounts received from your employer that must be included on line 1 of the worksheet—

- a. Housing allowance (or rental value of a parsonage) for members of the clergy.
- b. Meals and lodging.

Earned income does not include items such as interest, dividends, social security payments, welfare benefits, veterans' benefits, workers' compensation, unemployment compensation (insurance), or income exempt from self-employment tax as a result of the filing and approval of **Form 4029** (relating to members of certain religious faiths).

Definition of Child. In general, for purposes of this credit, your **child** includes:

- Your son or daughter.
- Your stepchild or adopted child.

If your filing status is **married filing a joint return** or **qualifying widow(er) with dependent child**, your child also includes a child placed with you by an authorized placement agency for adoption by you, or a

Earned Income Credit Worksheet (Keep for your records)

To figure your credit, follow the instructions below. If you checked Filing Status box 1 or 3, you cannot take the credit. Do not complete this worksheet.

1. Enter the amount from Form 1040, line 7, plus any other compensation from your employer, regardless of whether it is taxable. Note: If you received nontaxable compensation from your employer, enter "NEI" on the dotted line to the left of line 58 even if you cannot take the credit.	\$
2. If you were self-employed, enter the amount, even if a loss, from Schedule SE, line 9. However, if you use the optional method to figure your self-employment tax, see Publication 596 for more information before entering an amount on line 2. If you have self-employment income that you reported on line 1 above, do not include it here.	
3. Earned income. Add lines 1 and 2. However, if line 2 is a loss, subtract line 2 from line 1. If line 3 is zero or less, stop here; you cannot take the credit. If line 3 is more than zero, go on to line 4.	
4. Adjusted gross income. Enter the amount from Form 1040, line 33. If the amount on line 4 is \$11,000 or more, stop here; you cannot take the credit. Otherwise, go on to line 5 or line 6, whichever applies.	
5. If line 4 above is \$6,500 or less , use the amount from line 3 above to find your credit in the table on page 48. Enter the credit here and on Form 1040, line 58.	
6. If line 4 above is over \$6,500 :	
a. Find the amount from line 3 above in the table on page 48 and enter the credit for that amount here.	\$ _____
b. Find the amount from line 4 above in the table and enter the credit for that amount here.	\$ _____
c. Enter the amount from line 6a or 6b, whichever is smaller , here and on Form 1040, line 58.	\$ _____

foster child (any other child, such as your grandchild, whom you cared for as your own child for the whole year).

If your filing status is **head of household**, your child also includes a descendant of your son, daughter, or adopted child.

If your child was born, or died, in 1986 and your home was your child's home during the part of 1986 that he or she was alive, your child is considered to have lived with you for more than 6 months or, if applicable, for all of 1986.

Note: The earned income credit must be reduced by the alternative minimum tax (Form 1040, line 51). If you owe this tax, subtract it from the amount on line 5 or line 6c of the worksheet on page 16, whichever applies, and enter the result (but not less than zero) on Form 1040, line 58.

Line 59
Amount Paid With Form 4868
(Extension of Time To File)

If you filed **Form 4868** to get an extension of time to file Form 1040, enter the amount you paid with that form. Also include any amounts paid with **Forms 2688** or **2350**.

Line 60
Excess Social Security Tax and RRTA Tax Withheld—Two or More Employers

If you had two or more employers in 1986 who together paid you more than \$42,000 in wages, too much social security tax and railroad retirement tax (RRTA) may have been withheld from your wages. If so, you may be able to take a credit against your income tax.

If you are filing a joint return, you must figure the credit separately for yourself and your spouse. Complete the worksheet below to see if you can take the credit.

If you worked for two or more railroad employers, or if you had both RRTA tax and social security tax withheld from your wages, get **Publication 505**, Tax Withholding and Estimated Tax, for information on how to figure your excess RRTA or social security tax. **Do not** use the worksheet below.

Caution: If you were a Federal, state, or local government employee who paid only the 1.45% medicare (hospital insurance benefits) tax on your government wages, **do not** include on line 1 of the worksheet below the medicare tax withheld from your government wages. See the instructions for line 62 to see if you can take a credit for excess medicare tax paid.

Worksheet (Keep for your records)

1. Add all social security tax withheld (but not more than \$3,003 for each employer).* Enter the total here. _____
2. Enter any uncollected social security tax on tips included in the total on Form 1040, line 55 . . . _____
3. Add lines 1 and 2 _____
4. Less -3,003
5. Subtract line 4 from line 3. Enter this amount on line 60 _____

***Note:** If any one employer withheld more than \$3,003, you should ask the employer to refund the excess to you. You cannot take credit for it on your return.

Line 61
Credit for Federal Tax on Gasoline and Special Fuels

If you can take a credit for tax on gasoline and special fuels used in your business (including qualified taxicabs), or for certain diesel-powered cars, vans, and light trucks, please attach **Form 4136**. Enter the credit on line 61.

Line 62
Regulated Investment Company Credit

Enter on this line the total amount of the credit from **Form 2439**. Be sure to attach Copy B of Form 2439. Also include on line 62 any Excess Medicare Tax Credit.

Excess Medicare Tax Credit. If you were a Federal, state, or local government employee whose wages in 1986 were subject **only** to the 1.45% medicare (hospital insurance benefits) tax and you had other social security or RRTA wages that when added to your government wages total more than \$42,000, too much medicare tax may have been withheld. If so, you may take a credit against your income tax. Use **Form 4469**, Computation of Excess Medicare Tax Credit, to figure the credit. Include the amount of the credit in your total for line 62. On the dotted line next to this total, write "Form 4469" and show the amount.

Line 63
Total Payments

Add lines 56 through 62 and enter the total on line 63. Also include on line 63 any Overpaid Windfall Profit Tax.

Overpaid Windfall Profit Tax. You may be allowed a credit for overpaid windfall profit tax (OWPT). Use **Form 6249** to figure the overpayment. Include this amount in your total for line 63. Attach Forms 6249 and 6248 to Form 1040. On the dotted line next to this total, write "OWPT" and show the amount.

Refund or Amount You Owe

Line 64
Amount Overpaid
(If line 63 is larger than line 55)

Subtract line 55 from line 63. You can choose to have all, or part, of this amount refunded to you (line 65). The remainder, if any, can be applied to your estimated tax for 1987 (line 66). If line 64 is under \$1, we will send a refund only on written request.

Income Tax Withholding for 1987. As explained on page 2 under **Form W-4 Filing Requirement**, if you are an employee, you must file a new 1987 **Form W-4**, Employee's Withholding Allowance Certificate, with your employer before October 1, 1987. However, because of the numerous tax law changes effective for 1987, you may want to file the new Form W-4 with your employer early in 1987 to make sure you have the right amount of income tax withheld from your 1987 wages.

For more details, get **Publication 505**, Tax Withholding and Estimated Tax.

Line 66
Applied to 1987 Estimated Tax
Subtract line 65 from line 64. This is the amount that will be applied to your estimated tax for 1987. Enter this amount on line 66.

We will apply amounts to your account unless you request us to apply it to your spouse's account. The request should include your spouse's social security number.

Line 67
Amount You Owe
(If line 55 is larger than line 63)

Subtract line 63 from line 55 and enter the result. This is the amount you owe.

Attach your check or money order for the full amount when you file. **Do not** include any estimated tax payment in your check or money order. If line 67 is under \$1, you do not have to pay.

Income Tax Withholding for 1987. As explained on page 2 under **Form W-4 Filing Requirement**, if you are an employee, you must file a new 1987 **Form W-4**, Employee's Withholding Allowance Certificate, with your employer before October 1, 1987. However, because of the numerous tax law changes effective for 1987, you may want to file the new Form W-4 with your employer early in 1987 to make sure you have the right amount of income tax withheld from your 1987 wages. Otherwise, you may have to make estimated tax payments for 1987. See **Should You Make Estimated Tax Payments for 1987?** on page 18.

For more details, get **Publication 505**, Tax Withholding and Estimated Tax.

Underpayment of Estimated Tax
If line 67 is \$500 or more and more than 20% of the tax shown on your return, or you underpaid your 1986 estimated tax liability for any payment period, you may owe a penalty. **Form 2210** (**Form 2210F** for farmers and fishermen) is used to see if you owe a penalty and to figure the amount of the penalty. You may figure the penalty yourself by completing and attaching that form to Form 1040, or IRS will figure the penalty for you and send you a bill. But, if you use the annualized income installment method to figure your required payments, you must complete and attach Form 2210 to Form 1040 even if you do not owe the penalty.

Note: The penalty may be waived under certain conditions. Get **Publication 505**, Tax Withholding and Estimated Tax, for details.

If you underpaid your 1986 income tax, you will **not** owe a penalty or have to complete Form 2210 (or Form 2210F), if:

1. you had no tax liability for 1985,
2. you were a U.S. citizen or resident for all of 1985, and
3. your 1985 tax return was for a tax year of 12 full months.

If you attach Form 2210 or 2210F, be sure to check the box below line 67 and enter the amount of any penalty you owe in

the space provided. If you owe tax, add the penalty amount to the tax due and show the total on line 67. Or, if you are due a refund, subtract the penalty amount from the overpayment you show on line 64.

Should You Make Estimated Tax Payments for 1987?

In general, you do not have to make estimated tax payments if you expect that your 1987 Form 1040 will show a tax refund, or a tax balance due IRS of less than \$500. If your total estimated tax (including any alternative minimum tax) is \$500 or more, please get **Form 1040-ES**. It contains a worksheet that you can use to see if you have to make estimated tax payments.

Sign Your Return

Form 1040 is not considered a return unless you sign it. Your spouse must also sign if it is a joint return. Be sure to date your return and show your occupation in the space provided. If you are filing a joint return with your deceased spouse, see **Death of Taxpayer** on page 19.

Did You Have Someone Else Prepare Your Return? If you fill in your own return, the Paid Preparer's space should remain blank. Someone who prepares your return but does not charge you, should not sign.

Generally, anyone who is paid to prepare your tax return must sign your return and fill in the other blanks in the Paid Preparer's Use Only area of your return.

If you have questions about whether a preparer is required to sign your return, please contact an IRS office.

The preparer required to sign your return MUST:

- Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)
- Give you a copy of your return in addition to the copy to be filed with IRS.

Tax return preparers should be familiar with their responsibilities. They should get **Publication 1045**, Information and Order Blanks for Preparers of Federal Income Tax Returns, for more details.

Section 4

General Information

This section contains general information about items such as amending your tax return and how long to keep tax records.

Penalties and Interest

Interest. We will charge you interest on taxes not paid by their due date, even if an extension of time to file is granted. We will also charge you interest on penalties imposed for failure to file, gross valuation overstatements, and substantial understatements of tax. Interest is charged on the penalty as of the due date of the return (including extensions) to the date of payment.

Late Filing of Return. You can avoid penalties for late filing by sending in your return by the due date. The law provides a penalty of 5% of the tax due for each month, or part of a month, the return is late (maximum 25%) unless you can show reasonable cause for the delay. If you file a return late, attach a full explanation to your return. If your return is more than 60 days late, the penalty will not be less than \$100 or 100% of the balance of tax due on your return, whichever is less.

Late Payment of Tax. Generally, the penalty for not paying tax when due is 1/2 of 1% of the unpaid amount for each month or part of a month it remains unpaid. The maximum penalty is 25%. The penalty applies to any unpaid tax shown on the return. It also applies to any additional tax shown on a bill that is not paid within 10 days after the date of the bill. This penalty is in addition to interest charges on late payments.

Note: If you include interest or either of these penalties with your payment, identify and enter these amounts in the bottom margin of Form 1040, page 2. Do not include the interest or penalty amounts in **Amount You Owe** on line 67.

Penalty for Frivolous Return. In addition to any other penalties, the law imposes a

penalty of \$500 for filing a frivolous return. A frivolous return is one which does not contain information needed to figure the correct tax or shows a substantially incorrect tax, because you take a frivolous position or desire to delay or interfere with the tax laws. This includes any alteration or striking out of the preprinted language above the space provided for your signature.

Other Penalties. There are also other penalties that can be imposed for negligence, substantial understatement of tax, and fraud. Get **Publication 17** for details on some of these penalties.

Address Change

If you move after you file your return and you are expecting a refund, you should notify the post office serving your old address. Also notify the IRS Service Center where you filed your return of your address change. This will help to forward your check to your new address as soon as possible.

Corresponding With IRS

Be sure to include your social security number in any correspondence with IRS.

How Long Should Records Be Kept?

Keep records of income, deductions, and credits shown on your return, as well as any worksheets used to figure them, until the statute of limitations runs out 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 is later. Also keep copies of your filed tax returns as part of your records. You should keep some records longer. For example, keep property records (including those on your own home) as long as they are needed to figure the basis of the original or replacement property. For more details, get **Publication 552**.

Requesting a Copy of Your Tax Return. If you need a copy of your tax return or tax account information, use **Form 4506**, Request for Copy of Tax Form or Tax Account Information. Generally, there is a charge for these requests; see Form 4506.

Where To File

If an addressed envelope came with your return, please use it. If you do not have one, or if you moved during the year, mail your return to the **Internal Revenue Service Center** for the place where you live. No street address is needed.

If you are located in:	Use this address:
Alabama, Florida, Georgia, Mississippi, South Carolina	Atlanta, GA 31101
New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Holtsville, NY 00501
Connecticut, Maine, Massachusetts, Minnesota, New Hampshire, New York (all other counties), Rhode Island, Vermont	Andover, MA 05501

Illinois, Iowa, Missouri, Wisconsin	Kansas City, MO 64999
Delaware, District of Columbia, Maryland, Pennsylvania	Philadelphia, PA 19255
Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, Louisiana, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201

California (all other counties), Hawaii	Fresno, CA 93888
Arkansas, Indiana, North Carolina, Tennessee, Virginia	Memphis, TN 37501
American Samoa	Philadelphia, PA 19255
Guam	Commissioner of Revenue and Taxation Agana, GU 96910
Puerto Rico (or if excluding income under section 933)	Philadelphia, PA 19255
Virgin Islands: Nonpermanent residents	V. I. Bureau of Internal Revenue P.O. Box 3186 St. Thomas, VI 00801
Virgin Islands: Permanent residents	Philadelphia, PA 19255
Foreign country: U.S. citizens and those filing Form 2555 or Form 4563, even if you have an A.P.O. or F.P.O. address	Philadelphia, PA 19255
A.P.O. or F.P.O. address of:	Miami—Atlanta, GA 31101 New York—Holtsville, NY 00501 San Francisco—Fresno, CA 93888 Seattle—Ogden, UT 84201

Substitute Tax Forms

You may not use your own version of a tax form unless it meets the requirements contained in **Publication 1167** for acceptable privately designed and printed substitute tax forms. You can get Publication 1167 by writing to:
Forms Distribution Center
P.O. Box 25866
Richmond, VA 23260.

Amended Return

If you file your income tax return and later become aware of any changes you must make to income, deductions, or credits, file **Form 1040X**, Amended U.S. Individual Income Tax Return, to change the Form 1040, 1040A, or 1040EZ you already filed.

Note: If your Federal return is changed for any reason, it may affect your state income tax liability. This would include changes made as a result of an examination of your return by the IRS. Contact your state tax agency for more information.

Tax Help Videotape

A videotape of line-by-line instructions for completing your return is available in either English or Spanish at participating libraries or you can buy or rent the tape at some videotape outlets.

Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE)

Free help is available in most communities to lower income, elderly, handicapped, and non-English speaking individuals in preparing Form 1040EZ, Form 1040A, and the basic Form 1040. Call the toll-free telephone number for your area for the location of the volunteer assistance site near you.

Death of Taxpayer

If the taxpayer died before filing a return for 1986, the taxpayer's spouse or personal representative must file and sign a return for the person who died if the deceased was required to file a return. A personal representative can be an executor, administrator, or anyone who is in charge of the taxpayer's property.

The person who files the return should write "deceased" after the deceased's name and show the date of death in the name and address space at the top of the return. Also write "**DECEASED**" across the top of the tax return.

If the taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

If your spouse died in 1986 and you did not remarry in 1986, you can file a joint return. You can also file a joint return if your spouse died in 1987 before filing a 1986 return. A joint return should show your spouse's 1986 income before death and your income for all of 1986. Also write "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign.

If you are claiming a refund as a surviving spouse filing a joint return with the deceased and you follow the above instructions, no other form is needed to have the refund issued to you. However, all other filers requesting a refund due the

deceased must file **Form 1310**, Statement of Person Claiming Refund Due a Deceased Taxpayer, to claim the refund.

For more details, see **Tele-Tax Information** in the index (topic no. 128) or get **Publication 559**, Tax Information for Survivors, Executors, and Administrators.

Section 5

Instructions for Schedules to Form 1040

Instructions for Schedule A Itemized Deductions

A Change You Should Note

Loss of Deposits in Insolvent Financial Institutions. If you had money in a financial institution that you lost because of the insolvency or bankruptcy of the institution, you may be able to deduct your lost deposits. For details, get the 1986 **Form 4684**, Casualties and Thefts, and its instructions.

Purpose of Schedule

Some taxpayers must itemize their deductions and some should itemize because they will save money. See **You MUST Itemize Deductions and You Choose To Itemize** on pages 13 and 14.

If you itemize, you can deduct part of your medical and dental expenses, and amounts you paid for certain taxes, interest, contributions, and other miscellaneous expenses. You may also deduct certain casualty and theft losses. These deductions are explained below.

Lines 1 through 5 Medical and Dental Expenses

Before you can figure your total deduction for medical and dental expenses, you must complete Form 1040 through line 33.

You may deduct only that part of your medical and dental expenses that is more than 5% of your adjusted gross income on Form 1040, line 33.

You should include all amounts you paid during 1986 (including amounts you paid for hospital, medical, and extra medicare (Medicare B) insurance), but **do not** include amounts repaid to you, or paid to anyone else, by hospital, health or accident insurance, or your employer. Get **Publication 502** for information on insurance reimbursements. If you received a reimbursement of prior-year medical or dental expenses in 1986, see the instructions for Form 1040, line 22. **Do not** reduce your 1986 expenses by this amount.

When you figure your deduction, you may include medical and dental bills you paid for:

- Yourself.
- Your spouse.

- All dependents you claim on your return.
- Your child whom you do not claim as a dependent because of the rules explained on page 7 for **Children of Divorced or Separated Parents**.

- Any person that you could have claimed as a dependent on your return if that person had not received \$1,080 or more of gross income or had not filed a joint return.

Example.—You provided more than half of your mother's support but may not claim her as a dependent because she received \$1,080 of wages during 1986. If part of your support was the payment of her medical bills, you may include that part in your medical expenses.

Note: On line 2c, list the medical expense and the amount of the expense. Enter one total in the total amount column on line 2c.

Examples of Medical and Dental Payments You MAY Deduct

To the extent you were not reimbursed, you may deduct what you paid for:

- Medicines and drugs that required a prescription, or insulin.
- Medical doctors, dentists, eye doctors, chiropractors, osteopaths, podiatrists, psychiatrists, psychologists, physical therapists, acupuncturists, and psychoanalysts (medical care only).
- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths your doctor ordered.
- Nursing help. If you pay someone to do both nursing and housework, you may deduct only the cost of the nursing help.
- Hospital care (including meals and lodging), clinic costs, and lab fees.
- Medical treatment at a center for drug addicts or alcoholics.
- Medical aids such as hearing aids (and batteries), false teeth, eyeglasses, contact lenses, braces, crutches, wheelchairs, guide dogs and the cost of maintaining them.
- Lodging expenses (but not meals) paid while away from home to receive medical care in a hospital or a medical care facility that is related to a hospital. Do not include more than \$50 a night for each eligible person.
- Ambulance service and other travel costs to get medical care. If you used your own car, you may claim what you spent for gas and oil to go to and from the place you received the care; or you may claim 9 cents a mile. Add parking and tolls to the amount you claim under either method.

Examples of Medical and Dental Payments You MAY NOT Deduct

You may not deduct the following:

- The basic cost of medicare insurance (Medicare A).
- Note:** If you are 65 or over and not entitled to social security benefits, you may deduct premiums you voluntarily paid for Medicare A coverage.
- Life insurance or income protection policies.
- The 1.45% medicare (hospital insurance benefits) tax withheld from your pay as part of the social security tax or the medicare tax paid as part of social security self-employment tax.

- Nursing care for a healthy baby. (You may qualify for the child and dependent care credit; get **Form 2441**.)
- Illegal operations or drugs.
- Medicines or drugs you bought without a prescription.
- Travel your doctor told you to take for rest or change.
- Funeral, burial, or cremation costs.

Publication 502 has a discussion of expenses that may and may not be deducted. It also explains when you may deduct capital expenditures and special care for handicapped persons.

Lines 6 through 10

Taxes You Paid

Taxes You MAY Deduct

State and local income taxes (line 6).

Include on this line state and local income taxes that were withheld from your salary and any estimated payments made. Also include payments you made in 1986 on a tax for a prior year. **Do not** reduce your deduction by either of the following amounts:

- any state and local income tax refund (or credit) you expect to receive for 1986, or
- any refund of (or credit for) prior-year state and local income taxes you actually received in 1986 (see the instructions for Form 1040, line 10).

Real estate taxes (line 7). Include taxes that you paid on property you own that was not used for business. **Publication 530**, Tax Information for Owners of Homes, Condominiums, and Cooperative Apartments, explains the deductions homeowners may take.

If your mortgage payments include your real estate taxes, do not take a deduction for those taxes until the year the mortgage company actually pays them to the taxing authority.

General sales taxes (line 8). The Optional State Sales Tax Tables (see index) show how much you may deduct for your income and family size if you did not keep detailed records. You may add to the sales tax table amount the general sales tax you paid if you bought:

- A car, motorcycle, motor home, or truck. (**Note:** Texas charges a higher motor vehicle sales or use tax than it does for other items. Figure how much you would have paid at the general sales tax rate and enter only that amount on line 8b.)
- A boat, plane, home (including mobile or prefabricated), or materials to build a new home if:
 - a. the tax rate was the same as the general sales tax rate, and
 - b. your sales receipt or contract shows how much tax was imposed on you and paid by you.

If you kept records that show you paid more state sales tax than the tables list, you may deduct the larger amount on line 8a. Separately show the sales tax you paid on any motor vehicle you bought in 1986 on line 8b. Include state or local selective sales or excise taxes if the rates were the same as the general sales tax rates.

If you use the sales tax tables, count all available income. This includes the amount on Form 1040, line 33, plus most amounts you received that are not taxed and the deduction for a married couple when both work (Form 1040, line 30). The instructions at the top of the first page of the tables give steps to help you figure your deduction.

Personal property taxes and other taxes (line 9).

If you had any deductible tax not listed on Schedule A, lines 6 through 8b (such as personal property or foreign income tax), list the tax and the amount of tax. Enter one total in the total amount column on line 9.

Personal property tax must be based on value alone. For example, if part of the fee you paid for the registration of your car was based on the car's value and part was based on its weight, you may deduct only the part based on value.

If you paid tax to a foreign country or U.S. possession, you may want to take it as a credit instead of a deduction. Please get **Publication 514**, Foreign Tax Credit for U.S. Citizens and Resident Aliens.

Taxes You MAY NOT Deduct

- Federal income tax.
- Social security tax.
- Railroad retirement tax (RRTA).
- Federal excise tax on transportation, telephone, gasoline, etc.
- Customs duties.
- Federal estate and gift taxes. (However, see **Miscellaneous Deductions** on page 22.)
- Windfall profit tax. (Use Schedules C or E of Form 1040 to deduct this tax.)
- Certain state and local taxes, including:
 - a. Tax on gasoline.
 - b. Car inspection fees.
 - c. Tax on liquor, beer, wine, cigarettes, and tobacco.
 - d. Assessments for sidewalks or other improvements to your property.
 - e. Taxes paid for your business or profession. (Use Schedules C, E, or F of Form 1040 to deduct business taxes.)
 - f. Tax you paid for someone else.
 - g. License fees (marriage, driver's, dog, hunting, etc.).
 - h. Per capita (head) tax.

Lines 11a through 14

Interest You Paid

Include interest you paid on nonbusiness items only.

In general, a cash basis taxpayer who in 1986 paid interest that includes amounts that apply to any period after 1986 may deduct only the amount that applies for 1986.

Note: If, at the end of your tax year, you have a loan in existence whose term is in excess of 5 years and the loan agreement in any way refers to the "Rule of 78's," get **Publication 545**, Interest Expense, for information on how to figure the amount of interest you may deduct on the loan.

Interest You MAY Deduct

Home mortgage interest (lines 11a and 11b). If you paid \$600 or more of interest on your home mortgage, the recipient of this interest will generally send you a **Form 1098**, Mortgage Interest Statement, or similar statement, showing the total interest received during 1986. You should receive this statement by February 2, 1987. However, if you paid "points" (including loan origination fees), they will not be shown on this statement. Get **Publication 545** to see if the points qualify as interest. If they do, report them on line 13. **Do not** include them on line 11a.

● **Line 11a.** Report mortgage interest you paid directly, or indirectly, to financial institutions on line 11a. If you and at least one other person (other than your spouse if you file a joint return) were liable for, and paid interest on, the mortgage, and the other person received the Form 1098, or similar statement, attach a statement to your return showing the name and address of the person who received the form. In the far left margin, next to line 11a, write "see attached."

If you paid more mortgage interest than is shown on Form 1098, or similar statement, get **Publication 545** to see if you can deduct the additional interest. If you can, attach a statement to your return explaining the difference and write "see attached" next to line 11a.

Note: If you are claiming the Mortgage Interest Credit (see instructions for Form 1040, line 44), subtract the amount shown on line 3 of **Form 8396** from the total interest you paid on your home mortgage and enter the result on line 11a.

● **Line 11b.** Report mortgage interest you paid to individuals on line 11b. Also list this person's name and address in the space provided.

Credit card and charge account interest you paid (line 12). Include on this line interest you paid on bank and other general purpose credit cards. Deduct the finance charge paid as interest if no part of it was for service charges, membership fees, loan fees, credit investigation fees, etc. Also include interest you paid on revolving charge accounts. Deduct any finance charge a retail store added if the charges are based on your monthly unpaid balance.

Other interest you paid (line 13). List each payee's name and the amount. Enter one total in the total amount column on line 13. Include on this line interest you paid on—

- Your personal note for money you borrowed from a bank, a credit union, or another person.
- Loans on life insurance if you paid the interest in cash and you report on the cash basis.
- Installment contracts on personal property, such as cars.
- Taxes you paid late. Show only the interest; do not include any amount that is considered a penalty. If the tax is deductible, show it under **Taxes You Paid** (lines 6 through 9 of this schedule).

Loans on investment property. Report only the nonbusiness part of interest on these loans. (If your total investment interest on investment debts created after 1969 is more than \$10,000 (\$5,000 if married filing a separate return), you may have to complete **Form 4952**, Investment Interest Expense Deduction, to figure your correct deduction. Also get **Publication 550**, Investment Income and Expenses.)

Note: Special rules apply to interest expense imputed on below-market loans. Get **Publication 545**.

Interest You MAY NOT Deduct

Do not include interest paid on your debts by others, such as mortgage interest subsidy payments made by a government agency. Also do not include the interest you paid for—

- Tax-exempt income. This includes interest on money you borrowed to buy or carry wholly tax-exempt securities. This also includes interest paid to purchase or carry obligations or shares, or to make deposits or other investments, to the extent any interest income received from the investment is tax-exempt.
- A loan on life insurance if the interest is added to the loan and you report on the cash basis.
- A debt to buy a single-premium life insurance or endowment contract.
- Any kind of business transaction. (Use Schedules C, E, or F of Form 1040 to deduct business interest expenses.)

Get Publication 545 for more details.

Lines 15a through 18

Contributions You Made

You may deduct what you actually gave to organizations that are religious, charitable, educational, scientific, or literary in purpose. You may also deduct what you gave to organizations that work to prevent cruelty to children or animals.

Examples of these organizations are:

- Churches, temples, synagogues, Salvation Army, Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts, Girl Scouts, Boys Club of America, etc.
- Fraternal orders, if the gifts will be used for the purposes listed above.
- Veterans' and certain cultural groups.
- Nonprofit schools, hospitals, and organizations whose purpose is to find a cure for, or help people who have, arthritis, asthma, birth defects, cancer, cerebral palsy, cystic fibrosis, diabetes, heart disease, hemophilia, mental illness or retardation, multiple sclerosis, muscular dystrophy, tuberculosis, etc.
- Federal, state, and local governments if the gifts are solely for public purposes.

If you contributed to a charitable organization and also received a benefit from it, you may deduct only the amount that is more than the value of the benefit you received.

If you do not know whether you may deduct what you gave to an organization, check with that organization or with IRS.

Contributions You MAY Deduct

Contributions may be in cash (keep cancelled checks, receipts, or other-reliable written records showing the name of the organization and the date and amount given), property, or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described above. If you drove to and from the volunteer work, you may take 12 cents a mile or the actual cost of gas and oil. Add parking and tolls to the amount you claim under either method. (But don't deduct any amounts that were repaid to you.)

Get **Publication 526**, Charitable Contributions, for special rules that apply if:

- your cash contributions or contributions of ordinary income property are more than 30% of Form 1040, line 33,
- your gifts of capital gain property to certain organizations are more than 20% of Form 1040, line 33, or
- you gave gifts of property that increased in value or gave gifts of the use of property.

You MAY NOT Deduct As Contributions

- Political contributions (but see instructions for Form 1040, line 43).
- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.
- Cost of raffle, bingo, or lottery tickets.
- Cost of tuition.
- The value of your time or services.
- Value of blood given to a blood bank.
- The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).
- Gifts to:
 - a. Individuals.
 - b. Foreign organizations.
 - c. Groups that are run for personal profit.
 - d. Groups whose purpose is to lobby for changes in the laws.
 - e. Civic leagues, social and sports clubs, labor unions, and chambers of commerce.

Recordkeeping. If you gave property, you should keep a receipt or written statement from the organization you gave the property to, or a reliable written record, that shows the organization's name and address, the date and location of the gift, and a description of the property. You should also keep reliable written records for each gift of property that include the following information:

- a. How you figured the property's value at the time you gave it. (If the value was determined by an appraisal, you should also keep a signed copy of the appraisal.)
- b. The cost or other basis of the property if you must reduce it by any ordinary income or capital gain that would have resulted if the property had been sold at its fair market value.
- c. How you figured your deduction if you chose to reduce your deduction for gifts of capital gain property.
- d. Any conditions attached to the gift.

Note: If your total deduction for gifts of property is over \$500, or if you gave less than your entire interest in the property, or you made a "qualified conservation contribution" under section 170(h), your records should contain additional information. Get **Publication 526** for details.

Line 15a. Enter your total cash contributions (including out-of-pocket expenses) **except** those that total \$3,000 or more to any one organization.

Line 15b. Enter cash contributions totaling \$3,000 or more to any one organization. Show to whom and how much you gave in the space provided.

Line 16. Enter your contributions of property. If you gave used items, such as clothing or furniture, deduct their fair market value at the time you gave them. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale. If your total deduction for gifts of property is more than \$500, you must complete and attach **Form 8283**, Noncash Charitable Contributions. If your total deduction is over \$5,000, you may also have to get appraisals of the values of the donated property. See Form 8283 and its instructions for details.

Tax Tip: If the amount on Schedule A, line 18 (total contributions), is **more** than the amount on line 26, and you do not have to itemize your deductions (see "You MUST Itemize Deductions" on page 13), your Federal income tax may be less if you do **not** itemize. Instead, you should report your contributions on Form 1040, lines 34b through 34d, as appropriate. See the instructions for these lines on page 14.

Line 19

Casualty and Theft Losses

Use line 19 to report casualty or theft losses of property that is not trade, business, or rent or royalty property. Complete and attach **Form 4684**, Casualties and Thefts, or a similar statement to figure your loss. Enter on line 19 of Schedule A the amount of loss from Form 4684.

Losses You MAY Deduct

You may be able to deduct all or part of each loss caused by theft, vandalism, fire, storm, and car, boat, and other accidents or similar causes.

You may deduct nonbusiness casualty or theft losses only to the extent that—

- a. the amount of **EACH** separate casualty or theft loss is more than \$100, and
- b. the total amount of **ALL** losses during the year is more than 10% of your adjusted gross income on Form 1040, line 33.

Special rules apply if you had both gains and losses from nonbusiness casualties or thefts. Get Form 4684 for details.

Losses You MAY NOT Deduct

- Money or property misplaced or lost.
- Breakage of china, glassware, furniture, and similar items under normal conditions.
- Progressive damage to property (buildings, clothes, trees, etc.) caused by termites, moths, other insects, or disease.

Use line 22 of Schedule A to deduct the costs of proving that you had a property loss. (Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.)

For more details, get **Publication 547**, Nonbusiness Disasters, Casualties, and Thefts. It also gives information about Federal disaster area losses.

Lines 20 through 23

Miscellaneous Deductions

Expenses You MAY Deduct

Business Use of Home. You may not deduct expenses for business use of part of your home unless you use that part exclusively and on a regular basis in your work and for the convenience of your employer.

See **Tele-Tax Information** in the index (topic no. 237) or **Publication 587**, Business Use of Your Home, for details.

Educational Expenses. Generally, you may deduct what you paid for education required by your employer, or by law or regulations, to keep your present salary or job. In general, you may also deduct the cost of maintaining or improving skills you must have in your present position.

You may not deduct some educational expenses. Among them are expenses for study that helps you meet minimum requirements for your job, or qualifies you to get a new job.

For more details, see **Tele-Tax Information** in the index (topic no. 238) or **Publication 508**, Educational Expenses.

Employee Expenses. Examples of the expenses you may deduct are:

- Safety equipment, small tools, and supplies you needed for your job.
- Uniforms your employer said you must have, and which you may not usually wear away from work.
- Protective clothing, required in your work, such as hard hats and safety shoes and glasses.
- Physical examinations your employer said you must have.
- Dues to professional organizations and chambers of commerce.
- Subscriptions to professional journals.
- Fees to employment agencies and other costs to look for a new job in your present occupation, even if you do not get a new job.

Note: If your employer reimbursed you directly or indirectly for any educational expenses or employee expenses, you must use **Form 2106**, Employee Business Expenses, Part I, line 5, to deduct those expenses up to the amount you were reimbursed. Also use **Form 2106** to deduct any related travel or transportation expenses.

Expenses of Producing Income. You may deduct what you paid to produce or collect taxable income or to manage or protect property held for producing income. Examples of these expenses are:

- Safe deposit box rental.
- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (e.g., trust account) fees.

Qualified Adoption Expenses. You may be able to deduct up to \$1,500 of **qualified adoption expenses** you paid for each child you adopt with "special needs."

A child with special needs is one who the state determines, in connection with the Social Security Act adoption assistance program, cannot or should not be returned

to his or her parental home, has a specific factor or condition that makes the child difficult to place, and has been the subject of an unsuccessful placement effort.

Gambling Losses. You may deduct gambling losses, but not more than the gambling winnings you reported on Form 1040, line 22.

Income in Respect of a Decedent. You may deduct the Federal estate tax attributable to income in respect of a decedent that is ordinary income.

Expenses You MAY NOT Deduct

- Political contributions (but see instructions for Form 1040, line 43).
- Personal legal expenses.
- Lost or misplaced cash or property.
- Expenses for meals during regular or extra work hours.
- The cost of entertaining friends.
- Expenses of going to or from work.
- Education that you need to meet minimum requirements for your job or that will qualify you for a new occupation.
- Fines and penalties.
- Expenses of producing tax-exempt income.

For more details, get **Publication 529**, Miscellaneous Deductions.

Note: On line 22 list the type and amount of each expense. Enter one total in the total amount column on line 22.

Line 26

Summary of Itemized Deductions

If line 24 is more than line 25, subtract line 25 from line 24 and enter the result on Schedule A, line 26, and on Form 1040, line 34a.

Note: You will receive the full benefit of your itemized deductions because the zero bracket amount you entered for your filing status on line 25 has been built into the Tax Table and Tax Rate Schedules for you.

If line 25 is more than line 24, and you are required to itemize your deductions (as explained on page 13 under **You MUST Itemize Deductions**), write "TC" on Schedule A, line 26.

Instructions for Schedule B

Interest and Dividend Income

Purpose of Schedule

Use Schedule B if you are filing Form 1040 and you:

- Had more than \$400 in interest,
- Had more than \$400 in dividends,
- Had a foreign account, or
- Were a grantor of, or transferor to, a foreign trust.

Part III of the schedule asks you to answer questions about foreign accounts and trusts.

Part I

Interest Income

To see what interest income you must report, read the instructions for Form 1040, line 8, on page 8.

The payer should send you a **Form 1099-INT** or **Form 1099-OID**, if applicable, showing interest you must report. If the total interest from all payers is over \$400, fill in Parts I and III of this schedule.

Line 1

Report on line 1 the interest portion of any payments you received from an individual based on a take-back mortgage or other form of seller financing that resulted from the sale of your home or other property. Show the payer's name and the amount.

Line 2

Report on line 2 **ALL** interest (other than seller-financed mortgage interest) that you received or that was credited to your account so you could withdraw it. List each payer's name and show the amount.

Nominees. Include on line 2 interest you received, as a nominee, that actually belongs to another person. Several lines above line 3, put a subtotal of all interest income listed on line 2. Below this subtotal, write "Nominee Distribution" and show the interest amounts you received as a nominee. Subtract these amounts from the subtotal and enter the result on line 3.

Note: If you received interest as a nominee, give the actual owner a **Form 1099-INT**.

Accrued Interest. When you buy bonds between interest payment dates and pay accrued interest to the seller, this interest is taxable to the seller. If you received a Form 1099 for interest as a purchaser of a bond with accrued interest, follow the rules above under **Nominees** to see how to report the accrued interest on Schedule B. But identify the amount to be subtracted as "Accrued Interest."

Tax-Exempt Interest. If you received a **Form 1099-INT** for tax-exempt interest, such as from municipal bonds, report the interest on line 2. Several lines above line 3, put a subtotal of all interest listed on line 2. Below this subtotal, write "Tax-Exempt Interest" and show the amount. Subtract this amount from the subtotal and enter the result on line 3.

Original Issue Discount (OID). If you are reporting OID in an amount less than the amount shown on **Form 1099-OID**, follow the rules above under **Nominees** or **Accrued Interest**, whichever applies, to see how to report the OID on Schedule B. But identify the amount to be subtracted as "OID Adjustment."

Part II

Dividend Income

To see what dividend income you must report, read the instructions for Form 1040, line 9a, on page 8.

Tax Tip: Be sure to read the instructions on page 9 for line 9b to see if you can exclude any part of your dividend income.

The payer should send you a **Form 1099-DIV** showing dividends you must report. If the total dividends from all payers are over \$400, fill in Parts II and III of this schedule.

Line 4

Report on line 4 **ALL** of your dividend income. Be sure to include capital gain and nontaxable distributions on this line. They will be deducted on lines 6 and 7. Include cash and the value of stock, property, or merchandise you received as a dividend. If you owned shares in a mutual fund, **Publication 564**, Mutual Fund Distributions, may be helpful.

List the payer's name and show the amount of income. **Caution:** If securities are held by a brokerage firm (in "street name"), list the name of the brokerage firm that is shown on **Form 1099-DIV** as the payer.

Nominees. Include on line 4 all dividends you received, including dividends you received, as a nominee, that actually belong to another person, even if you later distributed some or all of this income to others. Several lines above line 5, put a subtotal of all dividends listed on line 4. Below this subtotal, write "Nominee Distribution" and show the amounts you received as a nominee. Subtract these amounts from the subtotal and enter the result on line 5.

Note: If you received dividends as a nominee for the actual owner, give that person a **Form 1099-DIV**.

Part III

Foreign Accounts and Foreign Trusts

Fill in this part if you had more than \$400 of interest or dividend income; if you had a foreign financial account; or if you were the grantor of, or transferor to, a foreign trust.

Line 10

Check the **Yes** box if either **1** or **2** below applies to you.

1. At any time during the year you had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).

Exception: Check **No** if any of the following applies to you.

• The combined value of the accounts was \$10,000 or less during the whole year.

• The accounts were with a U.S. military banking facility operated by a U.S. financial institution.

• You are an officer or employee of a commercial bank that is supervised by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation; the account is in your employer's name; **AND** you do not have a personal financial interest in the account.

• You are an officer or employee of a domestic corporation with securities listed on national securities exchanges or with assets of more than \$1 million and 500 or more shareholders of record; the account is in your employer's name; you do not have a personal financial interest in the account; and the corporation's chief financial officer has given you written notice that the corporation has filed a current report that includes the account.

2. You own more than 50% of the stock in any corporation that owns one or more foreign bank accounts.

Get **Form TD F 90-22.1** to see if you are considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).

If you checked **Yes** to question 10, file **Form TD F 90-22.1** by June 30, 1987, with the **Department of the Treasury** at the address shown on that form. **Form TD F 90-22.1** is not a tax return, so **do not** attach it to **Form 1040**.

You can get **Form TD F 90-22.1** by writing to the IRS Forms Distribution Center for your state, as shown on the inside back cover.

If you checked **Yes** to question 10, write the name of the foreign country or countries in the space provided. Attach a separate sheet if you need more space.

Instructions for Schedule D

Capital Gains and Losses and Reconciliation of Forms 1099-B

Purpose of Schedule

Use Schedule D (Form 1040) to report a sale or exchange of a capital asset and to reconcile Forms 1099-B to your tax return. See the **Capital Asset** section for the definition of capital assets. Schedule D is also used to report gains from involuntary conversions of capital assets that are not held in connection with a trade or business or a transaction entered into for profit.

Use **Form 4797**, Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions, instead of Schedule D to report the following:

• The sale or exchange of trade or business property, depreciable and amortizable property, oil, gas, and geothermal property, and section 126 property.

• The involuntary conversion (other than by casualty or theft) of trade or business property and capital assets held in connection with a trade or business or a transaction entered into for profit.

• Disposition of other noncapital assets not mentioned above.

Use **Form 4684**, Casualties and Thefts, to report involuntary conversions of property due to casualty or theft.

Get **Publication 544**, Sales and Other Dispositions of Assets, and **Publication 550**, Investment Income and Expenses, for more information.

Form 1099-A, Information Return for Acquisition or Abandonment of Secured Property. If you receive a **Form 1099-A** from your lender, you may have gain or loss to report because of the acquisition or abandonment. Get **Publication 544** for more information.

Capital Asset

Most property you own and use for personal purposes, pleasure, or investment is a capital asset. For example, your house, furniture, car, and stocks and bonds are capital assets.

A capital asset is any property held by a taxpayer **except** the following:

a. Stock in trade or other property included in inventory or held for sale to customers.

b. Accounts or notes receivable you received for services in the ordinary course of your trade or business, or from the sale of any property described in **a**, or for services you performed as an employee.

c. Depreciable property used in your trade or business even if it was fully depreciated.

d. Real property (real estate) used in your trade or business.

e. A copyright, a literary, musical, or artistic composition, a letter or memorandum, or similar property:

1. created by your personal efforts; or

2. prepared or produced for you (in the case of a letter, memorandum, or similar property); or

3. that you received from a taxpayer mentioned in **1** or **2**, in a way (such as by gift) that entitled you to the basis of the previous owner.

f. U.S. Government publications (including the Congressional Record) that you received from the government, other than by purchase at the normal sales price, or that you got from another taxpayer who had received it in a similar way, if your basis is determined by reference to the previous owner.

Short-Term or Long-Term

Separate your capital gains and losses according to how long you held or owned the property. The holding period for long-term capital gains and losses is more than 6 months. The holding period for short-term capital gains and losses is 6 months or less.

To figure the holding period, begin counting on the day after you received the property and include the day you disposed of it. Use the trade dates for date acquired and date sold for stocks and bonds on an exchange or over the counter market.

Generally, a nonbusiness bad debt must be treated as a short-term capital loss.

Capital Losses

The capital loss that can be applied against other income after offsetting capital gains is limited to \$3,000 (\$1,500 if married filing a separate return).

Unused capital losses are carried over to later years to the extent allowed until fully used. If any of your capital losses are from before 1970, use **Form 4798**, Carryover of Pre-1970 Capital Losses, Part II, to figure your capital loss carryovers. If all of your capital losses were after 1969, use Schedule D, Part IV, to figure your capital loss carryovers.

Losses That Are Not Deductible

Do not deduct a loss from the sale or exchange of property, directly or indirectly, between any of the following.

• Members of a family.

- A corporation and an individual or a fiduciary owning more than 50 percent of the corporation's stock (not counting liquidations).
- A grantor and a fiduciary of a trust.
- A fiduciary and a beneficiary of the same trust.
- A fiduciary and a fiduciary or beneficiary of another trust created by the same grantor.
- An individual and a tax-exempt organization controlled by the individual or the individual's family.
- A partnership and a corporation if the same taxpayers own directly or indirectly more than 50 percent of the capital interest, or profits interest, in the partnership or corporation.

If you dispose of (1) an asset used in an activity to which the at-risk rules apply, or (2) any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, get the instructions for **Form 6198**, Computation of Deductible Loss From an Activity Described in Section 465(c).

Items for Special Treatment and Special Cases

The following items may require special treatment:

- Transactions by a securities dealer.
- Wash sales of stock or securities.
- Bonds and other evidence of indebtedness.
- Certain real estate subdivided for sale which may be considered a capital asset.
- Distributions received from an employee pension, profit-sharing, or stock bonus plan. (Get **Form 4972**, Special 10-Year Averaging Method, or **Form 5544**, Multiple Recipient Special 10-Year Averaging Method. Also, get **Publication 575**, Pension and Annuity Income.)
- Gain on the sale of depreciable property to a more than 50% owned entity, or to a trust of which you are a beneficiary.
- Gain on disposition of stock in an Interest Charge Domestic International Sales Corporation.
- Gain on the sale or exchange of stock in certain foreign corporations.
- Gain or loss on options to buy or sell, including closing transactions.
- Transfer of property to a foreign corporation as paid-in surplus or as a contribution to capital, or to a foreign trust or partnership.
- Transfer of property to a partnership which would be treated as an investment company if the partnership were incorporated.
- Gain on the sale of qualified reinvested dividends from a qualified public utility. Get **Publication 550** for details.
- Transfer of appreciated property to a political organization.
- Loss on sale, exchange, or worthlessness of small business stock (section 1244 stock).
- In general, no gain or loss is recognized on a transfer of property from an individual to a spouse or a former spouse (but only if the transfer is incident to the divorce). Get **Publication 504**, Tax Information for Divorced or Separated Individuals.

Losses from the disposition of wetlands and highly erodible croplands converted to agricultural use (other than livestock grazing) after 3/1/86 and disposed of in taxable years ending after that date are reported on Schedule D, but gains are reported on Form 4797.

For rules on nontaxable exchanges, gifts of property, and inherited property, get **Publication 544**.

For treatment by shareholders of corporate liquidations, get **Publication 542**, Tax Information on Corporations.

For information on mutual fund transactions, get **Publication 564**, Mutual Fund Distributions.

Exchange of Like-Kind Property

Report the exchange of "like-kind" property even though no gain or loss is recognized when you exchange business or investment property for property of "like-kind." For exceptions, get Publication 544.

Identify in column (a) the property you disposed of. Enter the date you acquired it in column (b), and the date you exchanged it in column (c). Write "like-kind exchange" in column (d). Enter the cost or other basis in column (e). Enter zero in columns (f) and (g).

Sale or Exchange (Other Than Involuntary Conversion) of Capital Assets Held for Personal Use

This type of gain is a capital gain. Report it on Schedule D, Part I or Part II. Loss from the sale or exchange of this property is not deductible.

Disposition of Partnership Interest

A sale or other disposition of an interest in a partnership may result in ordinary income. Get **Publication 541**, Tax Information on Partnerships.

Long-Term Capital Gains From Regulated Investment Companies

Include in income as a long-term capital gain the amount(s) shown on **Form 2439** that represents 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 line 62 of Form 1040. Add to the basis of your stock, the excess of the amount included in income over the credit.

Sale of Residence

Use **Form 2119**, Sale or Exchange of Principal Residence, to report a gain from the sale of your principal residence whether or not you bought another one. For more information, get **Publication 523**, Tax Information on Selling Your Home.

Installment Sales

If you sold property at a gain, and you will receive a payment in a tax year after the year of sale, you must report the sale on the installment method unless you elect not to. Use **Form 6252**, Computation of Installment Sale Income. Also use Form 6252 if you received a payment in 1986 for a sale made in an earlier year on the installment method.

If you are a cash basis taxpayer and you are using the installment method for a year-end stock sale when payment will be received in the following year, report the sale on Schedule D in the year you receive the payment

If you want to elect out of the installment method, report the sale as follows on a timely filed return (including extensions):

(1) Report the full amount of the sale on Schedule D.

(2) If you received a note or other obligation and are reporting it at less than face value (including all contingent payment obligations), complete Part V. If you received more than one, enter the amounts separately in the spaces in Part V.

Investment Interest Expense Deduction Adjustment

If you have an entry on **Form 4952**, line 20, and Schedule D, line 19 (or Form 4798, Part I, line 8), part or all of line 20 of Form 4952 may be treated as ordinary income.

Determine the ordinary income for Schedule D or Form 4798 as follows:

Step 1—In a separate computation, reduce line 20 of Form 4952 to the amount by which line 15 of that form is more than the sum of lines 16 through 19 of that form.

Step 2—Ordinary income will be the smaller of step 1 or line 19 of Schedule D (or line 8, Part I of Form 4798).

Enter the ordinary income in the margin to the right of line 19 of Schedule D (or line 8, Part I of Form 4798). Identify by writing next to it: "From Form 4952." Subtract the ordinary income from the gain on lines 18 and 19 of Schedule D (or lines 7 and 8, Part I of Form 4798). In addition, enter the ordinary gain on line 9, Part II of Form 4797. If you do not use Form 4797 for other transactions, enter it on Form 1040, line 15 and identify it in the margin as "From Form 4952."

Section 1256 Contracts and Straddles

Use **Form 6781** to report gains and losses from section 1256 contracts and straddles. Get Publication 550 for more information.

Specific Instructions

Line 1

Reconciliation of Forms 1099-B for Sales of Stocks, Bonds, etc.

Enter your total sales of stocks, bonds, etc., reported for 1986 by your broker to you on Form(s) 1099-B or on an equivalent substitute statement(s). If line 1 differs from the total of lines 2b and 9b, column (d), attach a statement explaining the difference. There may be differences between line 1 and the total of lines 2b and 9b if you reported a Form 1099-B transaction in one year but did not receive a Form 1099-B until the following year. A difference would also occur if you received a Form 1099-B for an item that represents a return of capital.

Note: If you attach your own schedule to show detail of gain or (loss), enter the total sales price of all Form 1099-B transactions included in your own schedule on lines 2b and 9b. Report the total gain and the total loss separately on lines 7 and 16.

Column (d)

Sales Price

Enter in this column either the gross sales price or the net sales price from the sale. If

you sold stocks or bonds and your broker provided you with a Form 1099-B or similar statement that shows gross sales price, enter that amount in column (d). However, if the broker advised you that gross proceeds (gross sales price) less commissions and option premiums were reported to IRS, enter that net amount in column (d). If the net amount is entered in this column, do not include the commissions and option premiums in column (e).

Important: Be sure to add all sales price entries in column (d) on lines 2a and 9a and enter the totals on lines 2b and 9b.

Column (e) Cost or Other Basis

In general, the cost or other basis is the cost of the property plus purchase commissions, improvements, and minus depreciation, amortization, and depletion. If you inherited the property or got it as a gift, in a tax-free exchange, involuntary conversion, or "wash sale" of stock, you may not be able to use the actual cash cost as the basis. If you do not use cash cost, attach an explanation of your basis.

When selling stock, adjust your basis by subtracting all the nontaxable distributions you received before the sale. Also adjust your basis for any stock splits.

The basis of property acquired by gift generally is the basis of the property in the hands of the donor.

The basis of property acquired from a decedent is generally the fair market value at the date of death.

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

Increase your cost or other basis by any expense of sale such as broker's fee, commission, and option premium before making an entry in column (e), unless you reported net sales price in column (d).

For more information, get **Publication 551**, Basis of Assets.

Line 6

Short-Term Capital Loss Carryover From Years Beginning After 1969

Enter the amount from your 1985 Schedule D (Form 1040), line 30, or your 1985 Form 4798, Part II, line 20.

Line 15

Long-Term Capital Loss Carryover From Years Beginning After 1969

Enter the amount from your 1985 Schedule D (Form 1040), line 36, or your 1985 Form 4798, Part II, line 26.

Note: If you used Form 4798 in 1985 and had an entry in Part II, line 17 or 23, use Form 4798 in 1986 instead of completing Schedule D, Parts III or IV.

Line 23c

(or Form 4798, Part I, line 30c) Taxable Income as Adjusted

Figure your taxable income, as adjusted, with a separate calculation. Do this in the following way:

a. Figure the amount from Form 1040, line 35, without regard to gains and losses from sales or exchanges of capital assets.

b. Subtract from the amount in a one of the following:

- \$2,480 if you are filing as single or head of household.
- \$3,670 if you are married filing a joint return or you are a qualifying widow(er) with a dependent child.
- \$1,835 if you are married filing a separate return.

Part VI

Reconciliation of Forms 1099-B For Bartering Transactions

This part will enable IRS to compare amounts of bartering income reported to you on Forms 1099-B with amounts you report on your tax return.

Instructions for Schedule E Supplemental Income

Reminder

If you claim any expenses for use of an automobile or other "listed property" in a trade or business or for the production of income, you must complete the appropriate sections of Part III of **Form 4562**, Depreciation and Amortization. For more information, get **Publication 534**, Depreciation. If you claim the standard mileage allowance for your automobile instead of actual expenses, you also must complete Part III of Form 4562.

Purpose of Schedule

Use Schedule E to report income or (loss) from rents and royalties, partnerships, S corporations, and estates and trusts.

Note: If you attach your own schedules to report income or (loss) from any of these sources, use the same format as the Schedule E. Enter separately on Schedule E the total of net income and the total of net loss for each part. **DO NOT** combine the total of net income with the total of net loss on the separate schedules.

Filers of Forms 1041 and 1041S. Enter your employer identification number in the block labeled "Your social security number."

At-Risk Rules (Parts I and II)

If you have (1) a loss from any activity that you, your partnership, or S corporation engaged in as a trade or business or for the production of income, except the holding of real property (other than mineral property) placed in service before January 1, 1987, and (2) you have amounts for which you are not at risk in the activity, use **Form 6198**, Computation of Deductible Loss From an Activity Described in Section 465(c), to determine the allowable loss to report on Schedule E.

Amounts for which you are not at risk are amounts such as the following:

- nonrecourse loans used to finance the activity, acquire property used in the

activity or acquire your interest in the activity unless they are secured by property not used in the activity;

2. amounts protected against loss by a guarantee, stop-loss agreement, or similar arrangement;

3. loans from someone who has an interest in the activity, other than as a creditor, or who is related, under section 168(e)(4), to a person (other than yourself) having such an interest; or

4. amounts contributed to the activity, or to your interest in the activity that is covered by:

- nonrecourse loans or protected against loss by a guarantee, stop-loss agreement, or similar arrangement; or

- loans from a person described in 3 above.

For more details, get **Publication 536**, Net Operating Losses and the At-Risk Limits.

The at-risk rules may apply to a member of a partnership or joint venture, a shareholder in an S corporation, or a lessor of certain property. Generally, the amount you have at risk limits the loss you can deduct for any tax year.

Partners and S corporation shareholders should get a separate statement of income, expenses, deductions, and credits for each activity engaged in by the partnership and S corporation. See Form 6198 and the related instructions for more information.

If, in addition to the amount that you report on Schedule E, you sell or otherwise dispose of (1) an asset used in an activity to which the at-risk rules apply, or (2) any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, see the instructions for Form 6198.

If you have amounts that are not at risk, get Form 6198 to determine the amount of deductible loss. If the loss is from Part I, Schedule E, enter the deductible amount from Form 6198 in the appropriate column(s) on line 21 of Schedule E. If the loss is from Part II, Schedule E, enter the deductible amount from Form 6198 in column (e) of Schedule E.

Any loss from an activity not allowed for the tax year is treated as a deduction allocable to the activity in the next tax year.

Part I

Rental and Royalty Income or (Loss)

Generally, you should use this part to report rental and royalty income. Report rents from property you own or control, including room and other space rentals. However, if you provided services to the renter, or if your business was selling real estate, report the income on **Schedule C (Form 1040)**. For more information on rental income and expenses, see **Tele-Tax Information** in the index (topic no. 143) or get **Publication 527**, Rental Property.

Report royalties from oil, gas, or mineral properties, copyrights, and patents. However, if you hold an operating oil, gas, or mineral interest, or are in business as a self-employed writer, inventor, artist, etc., report gross income and expenses on Schedule C (Form 1040).

If you use Part I to report rental and royalty income, enter your rental and royalty expenses for each property in the appropriate columns on lines 4 through 20.

If you have a loss from an activity, except the holding of real property (other than mineral property) placed in service before January 1, 1987, see the **At-Risk Rules** on page 25.

If you have more than three rental or royalty properties, complete and attach as many Schedules E as are needed to list the properties. Complete lines 1 and 2 for each property. However, fill in the "Totals" column for lines 3, 10, 18, 19, and 22 through 26 on only one Schedule E. The figures in the total column on that Schedule E should be the combined totals of all the schedules.

If you also need to use page 2 of Schedule E, use the same Schedule E that you used to enter the combined totals in Part I.

Rentals

If you were not in the real estate sales business and you received rent from property you own or control, report it on line 3a. If you received services or property, instead of money, as rent, report its fair market value.

You can deduct an amount for the depreciation of rental property. You can also deduct all normal expenses, such as taxes, interest, repairs, insurance, maintenance, and agent's commissions.

Property subject to a net lease or held for investment purposes is considered investment property. Generally, the interest deduction on debts incurred to acquire such property is subject to limitations. If your total interest on investment debts created after 1969, including investment interest from all other sources, is more than \$10,000 (\$5,000 if married filing separately), see **Form 4952**, Investment Interest Expense Deduction.

Do not deduct the value of your own labor. Do not deduct capital investments or improvements; instead, add these to the basis of the property for depreciation. Example: A landlord can deduct the cost of minor repairs, but not the cost of major improvements, such as a new roof.

Renting Out Part of Your Home. If you rent out only part of your home or other property, deduct the part of your expenses that apply to the rented part.

Renting Out a Home That Is Also Used for Personal Purposes. Generally, you may deduct only those expenses which apply to the time that the home or other dwelling unit is rented out. A dwelling unit includes a house, apartment, condominium, mobile home, boat, or similar property. Also, if you or your family used the property as a residence, certain expenses cannot be more than the gross rental income. Only interest, taxes, and casualty losses do not have to be limited. Generally, a home or other dwelling unit is used as a residence if you or your family used it for personal purposes for more than the greater of:

- 14 days, or
- 10% of the number of days during 1986 that the property was actually rented out at a fair rental.

A day of personal use is any day, or part of a day, that the unit is used—

- for personal purposes by you, or any other person who has an interest in it, unless the unit is rented to that person under a shared equity financing agreement, or
- by a member of your family or family member of any other person who has an interest in it, unless the unit is rented at fair rental as that person's residence, or
- by anyone under an arrangement that lets you use some other dwelling unit, or
- by anyone at less than fair rental.

If you used the property as a residence and rented it out for less than 15 days, you may not deduct any rental expenses. However, if you itemize your deductions, you may deduct any interest, taxes, and casualty losses on **Schedule A (Form 1040)**. You do not have to report the rental income.

Family includes **ONLY** brothers, sisters, half brothers, half sisters, spouse, ancestors (parents, grandparents, etc.), and lineal descendants (children, grandchildren, etc.).

Mortgage Interest Paid to Financial Institutions. If you have a mortgage on your rental property, enter on line 10 the interest you paid for 1986 to financial institutions. Be sure to fill in the "Totals" column.

If you paid \$600 or more of interest on this mortgage, you should receive a **Form 1098**, Mortgage Interest Statement, or similar statement, showing the total interest received from you during 1986. You should receive this statement by February 2, 1987. If you and at least one other person (other than your spouse if you file a joint return) were liable for, and paid interest on, the mortgage, and the other person received the Form 1098, attach a statement to your return showing the name and address of the person who received the Form 1098. In the left margin, next to line 10, write "see attached."

If you paid more mortgage interest than is shown on your Form 1098, or similar statement, get **Publication 545**, Interest Expense, to see if you can deduct the additional interest. If you can, attach a statement to your return explaining the difference and write "see attached" in the left margin next to line 10.

Royalties

Report on line 3b royalties from oil, gas, or mineral properties; copyrights; and patents, not including operating oil, gas, or mineral interests. If you are in business as a self-employed writer, inventor, artist, etc., report income and expenses on Schedule C (Form 1040). Under certain circumstances, you can treat amounts received as "royalties" for transfer of a patent or amounts received on the disposal of coal and iron ore as the sale of a capital asset. For more details, get **Publication 544**, Sales and Other Dispositions of Assets.

If state or local taxes were withheld from oil or gas payments you received, enter on line 3b the gross amount of royalty. Include the taxes withheld by the producer on line 14, but **DO NOT** include on line 14 the amount of windfall profit taxes actually withheld in 1986. Instead, enter that amount in Part III, line 34.

Enter your depletion deduction on line 19. Get **Publication 535**, Business Expenses, for information on depletion.

Rental Income From Farm Production or Crop Shares

Report farm rental income and expenses on **Form 4835**, Farm Rental Income and Expenses, if you meet these two tests:

- You received rental income that was based on crops or livestock produced by the tenant.
- You did not manage or operate the farm to any great extent.

Note: For purposes of the estimated tax penalty, income received from your share of crops and rental based on farm production is considered income from farming.

If you use Form 4835, enter on line 25 of Schedule E the net farm rental profit or (loss) from Form 4835, line 34.

Certified Historic Structures

If you own a certified historic structure and pay or incur certain capital expenditures to rehabilitate it, special rules apply. Get **Publication 535** for more details.

Expenses To Rehabilitate Low-Income Housing

You may amortize over a 60-month period up to \$20,000 of the costs you paid or incurred in 1986 to rehabilitate qualified low-income housing. Get **Publication 535** for more details.

Deduction For Removal of Barriers to the Handicapped and Elderly

You can deduct up to \$35,000 of the costs you paid or incurred in 1986 to remove architectural or transportation barriers to the handicapped and the elderly. Get **Publication 535** for more details.

Part II

Income or (Loss) From Partnerships, S Corporations, Estates, or Trusts

If you need additional space in Part II to list your income or losses, attach a continuation sheet. However, be sure to complete columns (e) and (f) of line 27 or line 31, as appropriate.

Tax Shelter Registration Number. If you are claiming or reporting any deduction, loss, credit, or other tax benefit, or reporting income from an interest purchased or otherwise acquired in a tax shelter, you must attach **Form 8271**, Investor Reporting of Tax Shelter Registration Number, to your return to report the tax shelter registration number as well as other information about the tax shelter. There is a penalty if you fail to report this number on your tax return.

Tax Preference Items. If you are liable for the alternative minimum tax and you are a partner, a shareholder in an S corporation, or a beneficiary of an estate or trust, you must take into account your share of tax preference items from these entities on **Form 6251**, Alternative Minimum Tax Computation. For more information, get **Form 6251**.

Partnerships

If you are a member of a partnership or joint venture, include in this part your share of the partnership income (whether you

received it or not) or net loss for the partnership tax year that ends during the year covered by your return. You should receive a **Schedule K-1 (Form 1065)** from the partnership. Do not attach that schedule to your return. Keep it for your records.

If you have other partnership items, such as depletion, show each item on a separate line in Part II. If you claimed a credit for Federal tax on gasoline or other fuels on your 1985 Form 1040 (based on information received from the partnership), enter as income in column (f) the amount of the credit claimed in 1985. If you have unreimbursed partnership expenses, show them on a separate line and enter the amounts in column (e). If you are claiming a deduction for recovery property (section 179), enter the amount of this deduction on line 29 of Schedule E.

Note: The amount of your section 179 deduction from **ALL** sources cannot be more than \$5,000 (\$2,500 if you are married filing a separate return).

Part or all of your share of partnership income or loss from the operation of the business may be considered net earnings from self-employment that must be reported on **Schedule SE (Form 1040)**. Enter the amount from Schedule K-1 (Form 1065), line 13a, on Schedule SE, Part I, after you have reduced this amount by any section 179 deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas partnerships. Get **Publication 535, Business Expenses**, to determine the allowable depletion deduction.

If you have a loss, see the **At-Risk Rules** on page 25.

For more information for this part, please see your copy of Schedule K-1 (Form 1065) and **Partner's Instructions for Schedule K-1 (Form 1065)**. If you did not receive a copy of these instructions with your Schedule K-1 (Form 1065), you can get a copy at most IRS offices.

If you are treating partnership items on your tax return differently from the way the partnership reported the items on its return, you may have to file **Form 8082, Notice of Inconsistent Treatment or Amended Return**.

If you have losses or deductions from a prior year that you could not deduct in the prior year because of the at-risk rules or basis rules, do not combine the prior-year amounts with any current-year amounts to arrive at a net figure to report on Schedule E. Instead, report on separate lines on Schedule E prior-year amounts and current-year amounts.

S Corporations

If you are a shareholder of an S corporation, you should receive a **Schedule K-1 (Form 1120S)** from the S corporation. Do not attach the schedule to your return. Keep it for your records. Report your share of the income (whether you received it or not) or net loss of the corporation on Schedule E in

the same manner as the income or loss of a partnership. Your share of the net income is **NOT** subject to self-employment tax. Also, distributions of prior-year accumulated earnings and profits of all S corporations are dividends and are reported on **Schedule B (Form 1040)**. For more information, get **Publication 589, Tax Information on S Corporations**.

If you have a loss, see the **At-Risk Rules** on page 25.

If you are treating S corporation items on your tax return differently from the way the S corporation reported the items on its return, you may have to file Form 8082.

If you are claiming a deduction for recovery property (section 179), enter the amount of this deduction on line 29 of Schedule E.

Note: The amount of your section 179 deduction from **ALL** sources cannot be more than \$5,000 (\$2,500 if you are married filing a separate return).

If you are a shareholder claiming a deduction for your share of the S corporation's 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 deduction is limited to that amount. However, any amount not allowed this year may be carried forward and deducted in a later year in which you have sufficient basis in the stock and debt. See Publication 589 for information on adjustments to basis.

Estates and Trusts

If you are a beneficiary of an estate or trust, you should receive a **Schedule K-1 (Form 1041)** from the fiduciary. Do not attach the schedule to your return. Keep it for your records. Report your taxable part of the income (whether you received it or not) as follows:

- Dividends qualifying for the dividend exclusion—enter on **Schedule B (Form 1040)**, Part II, line 4. If total dividends received from all sources are \$400 or less, enter the total on Form 1040, line 9a. Do not list them on Schedule B.
- Capital gains—**Schedule D (Form 1040)**.
- Other taxable income less deductions—Schedule E, Part II.

For more information, contact the fiduciary or see Schedule K-1 (Form 1041).

If you have a loss, see the **At-Risk Rules** on page 25.

A U.S. person who transferred property to a foreign trust may have to include in income the income received by the trust as a result of the transferred property if, during 1986, the trust had a U.S. beneficiary. For more information, get **Form 3520-A, Annual Return of Foreign Trust With U.S. Beneficiaries**.

Part III

Caution: If you are a member of a partnership, the amounts entered on lines 33 and 34 may affect your net earnings from self-employment on Schedule SE.

Line 33

In certain situations, you must report as income on line 33 the amount of any credit or refund of overpaid windfall profit tax you received in 1986 for tax year 1985, based on overwithholding or the net income limitation.

In general, the amount of credit or refund you received is income to the extent you deducted windfall profit tax withheld in 1985 on Schedule E, and received a tax benefit for the deduction on your 1985 tax return. For more information, see the instructions for **Form 6249, Computation of Overpaid Windfall Profit Tax**.

Line 34

If you are a cash method taxpayer, deduct on line 34 the amount of windfall profit tax actually withheld in 1986.

Part IV

Line 37

Enter on this line your total share of gross farming and fishing income as shown on Form 4835, line 8; Schedule K-1 (Form 1065), line 13b; Schedule K-1 (Form 1120S), line 19; and Schedule K-1 (Form 1041), line 10.

You will not be charged a penalty for underpayment of estimated tax if you meet the following tests:

1. your gross farming or fishing income for 1985 or 1986 is at least two-thirds of your gross income, and
2. you file your 1986 tax return and pay the tax due by March 2, 1987.

Part V

You can deduct an amount each year for property you buy to use in your business or hold to produce investment income. The deduction does not apply to land and personal use property.

You may use Part V to figure depreciation only on property placed in service before 1981. Its use is optional. However, if you placed any property in service after 1980, you must get **Form 4562, Depreciation and Amortization**, to report your depreciation on all property. Enter in Part I, line 19, the amount from Form 4562, Part I.

For more information on depreciation, see the instructions for Form 4562 and **Publication 534, Depreciation**.

Instructions for

Schedule C

Profit or (Loss) From Business or Profession

Changes You Should Note

Investment Credit. The credit was generally repealed for property placed in service after 1985, but it is still available for business energy property, expenditures to rehabilitate older buildings, and certain transition property contracted for before 1986. To see if you qualify to take this credit for 1986, get **Form 3468**, Computation of Investment Credit.

Tax Shelter. If you are claiming or reporting any deduction, loss, credit, other tax benefit, or income on Schedule C from an interest purchased or otherwise acquired in a tax shelter required to be registered, you must check the box on line I, and you must file **Form 8271**, Investor Reporting of Tax Shelter Registration Number. For additional information, see Form 8271 and its instructions.

Purpose of Schedule

If you operated a business or practiced a profession as a sole proprietorship, complete **Schedule C**. If you had more than one business, or if you and your spouse had separate businesses, you must complete a Schedule C for each business. Farmers should use **Schedule F**.

Filers of Forms 1041 and 1041S. You are not required to complete the block labeled "Social security number"; however, be sure to enter your employer identification number on line D.

Deduct interest, taxes, and casualty losses not related to your business as itemized deductions on **Schedule A**.

Report sales, exchanges, and involuntary conversions (other than casualty or theft) of trade or business property on **Form 4797**.

Use **Form 4684**, Casualties and Thefts, to report a casualty or theft involving trade or business, or income-producing property.

You must pay social security self-employment tax on income from any trade or business unless you are specifically exempted. Please see **Schedule SE**.

For more details about business income and expenses, get **Publication 334**, Tax Guide for Small Business. It contains more information regarding the line items discussed below.

Information Returns

You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, annuities, and pensions, or for sales by you of \$5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other basis for resale. For more information, get instructions for **Form W-3**, Transmittal of Income and Tax Statements;

Instructions for Forms 1099, 1098, 5498, 1096, and W-2G; and **Publication 916**, Information Returns.

In addition, if you receive cash of more than \$10,000 in one or more related transactions in the course of your trade or business, you may have to file **Form 8300**. Get the instructions for Form 8300 for details.

Line A

Describe the business or professional activity that provided your principal source of sales or receipts included on Schedule C, Part I, line 1a. Give the general field or activity and the type of product or service. If your general field or activity is wholesale or retail trade, or services connected with production services (mining, construction, or manufacturing), then also give the type of customer or client. For example, "wholesale sale of hardware to retailers" or "appraisal of real estate for lending institutions."

Line B

Enter on this line the code that identifies your principal business or professional activity. See the instructions on page 2 of Schedule C for details.

Line C

Use your home address only if you actually conducted the business from your home. You should show a street address instead of a box number.

Line D

You don't need an employer ID number unless you had a Keogh plan or were required to file an employment, excise, fiduciary, or alcohol, tobacco, and firearms tax return.

Line E

Your inventories can be valued at:

- cost,
- cost or market value, whichever is lower, or
- any other method approved by the Commissioner of Internal Revenue.

Line F

You must use the cash method on your return unless you kept account books. If you kept such books, you can use the cash method, accrual method, or in some cases, the completed contract or percentage-of-completion method. The method used must clearly reflect your income.

To change your accounting method (including the treatment of any item such as inventories or bad debts), you must usually first get the permission of the Internal Revenue Service. In general, file **Form 3115** within the first 180 days of the tax year in which you want to make the change.

If you use the **cash method**, show all items of taxable income actually or constructively received during the year (in cash, property, or services). Also show 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 use.

If you use the **accrual method**, report income when you earn it and deduct expenses when you incur them, even if you do not pay them during the tax year.

Accrual-basis taxpayers are put on a cash basis for deducting business expenses owed to a related cash-basis taxpayer. Other rules also apply that determine the timing of deductions based on economic performance. Get **Publication 538**, Accounting Periods and Methods, for details.

Line H

Within certain limits, you may deduct business expenses that apply to a part of your home **only** if that part is exclusively used on a regular basis:

1. as your principal place of business for any of your trades or businesses; or
2. as a place of business used by your patients, clients, or customers to meet or deal with you in the normal course of your trade or business; or
3. in connection with your trade or business if it is a separate structure that is not attached to your home.

You may also deduct expenses that apply to space within your home if it is the **only** fixed location of your trade or business. The space must be used on a regular basis to store inventory held for use in your trade or business of selling products at retail or wholesale.

If you use space in your home on a regular basis in your trade or business of providing day care service, you may be able to deduct the business expenses even though you also use the same space for nonbusiness purposes.

Please get **Publication 587**, Business Use of Your Home, for more information.

Line I

See **Changes You Should Note** on this page for information on when you must complete this line.

Part I

Income (Lines 1 through 5)

Line 1a

Enter gross receipts or sales from your business. Be sure to include on this line amounts you received in your trade or business as shown on **Form(s) 1099-MISC**.

Installment Sales. If you use the installment method of reporting sales income, please attach a schedule showing separately for 1986 and the three preceding years: gross sales; cost of goods sold; gross profit; percentage of gross profits to gross sales; amounts collected; and gross profits on amounts collected.

Line 1b

You should enter on line 1b such items as returned sales, rebates, and allowances from the sales price.

Line 4a

In certain situations, you must report as income on line 4a the amount of any credit or refund of overpaid windfall profit tax you received in 1986 for tax year 1985, based on overwithholding or the net income limitation.

In general, the amount of credit or refund you received is income to the extent you deducted windfall profit tax withheld in 1985 on Schedule C, and received a tax benefit for the deduction on your 1985 tax return. For more information, see the instructions for **Form 6249**, Computation of Overpaid Windfall Profit Tax.

Line 4b

Include finance reserve income, scrap sales, amounts recovered from bad debts, interest (such as on notes and accounts receivable), the amount of credit for Federal tax on gasoline or other fuels claimed on your 1985 Form 1040, and other kinds of miscellaneous income from the business or profession.

If you have listed property that you placed in service after June 18, 1984, and the business use percentage decreased to 50% or less in 1986, report on this line any recapture of excess depreciation, including the section 179 expense deduction. Use **Form 4797** to figure the amounts to be recaptured.

Part II

Deductions (Lines 6 through 31)

Line 7

Caution: Cash method taxpayers are not entitled to a bad debt deduction unless the amount was previously included in income.

Include debts and partial debts arising from sales or services that were included in income and are definitely known to be worthless. Instead of this, you may deduct a reasonable amount that was added during the tax year to a bad debt reserve.

If you later collect a debt that you deducted as a bad debt, include it as income in the year you collect it unless you use the bad debt reserve method. For more information, please get **Publication 548**, Deduction for Bad Debts.

Line 9

You can deduct the actual cost of running your car or truck, or take the standard mileage rate. You must use actual costs if you use more than one vehicle in your business. If you deduct actual costs, show depreciation on line 12.

Note: If you claim any car expenses (actual costs or the standard mileage rate), you must complete Part III of **Form 4562**, Depreciation and Amortization.

The standard mileage rate is figured at 21 cents a mile up to 15,000 miles, and 11 cents for each mile after that. Add to this amount your parking fees and tolls.

For cars and trucks that have been fully depreciated, the rate is 11 cents a mile.

If you use the standard rate, the vehicle is considered to have a useful life of 60,000 miles of business use at the maximum standard mileage rate.

If you place a car or truck in service after December 31, 1980, and take the standard mileage rate, you are treated as having elected to exclude this vehicle from ACRS.

For more details, get **Publication 917**, Business Use of a Car.

Note: If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in

your trade or business, you may have to pay a Federal highway use tax on these vehicles. Get **Form 2290**, Heavy Vehicle Use Tax Return, to see if you are subject to the tax.

Line 11

Enter your total deduction for depletion on this line. If you claim a deduction for timber depletion, please attach **Form T**. Get **Publication 535** for details.

Line 12

You can deduct an amount each year for assets you buy to use in your business or hold to produce investment income. The deduction for depreciation does not apply to stock in trade, inventories, land, and personal assets. You may also choose under section 179 to expense a portion of the cost of certain depreciable property you bought in 1986 for use in your business. Figure your depreciation deduction, including the section 179 expense deduction, on **Form 4562**, Depreciation and Amortization. Enter on line 12 of Schedule C the amount from **Form 4562**, Part I.

The depreciation deduction for cars, including any section 179 deduction, is limited. The allowable amounts are further limited if your business use is less than 100%. In general, for cars or other "listed property" placed in service in 1986, you may not take a section 179 deduction if the property is used 50% or less in your trade or business. If you claim depreciation for any listed property, you must complete Part III of **Form 4562**. See the instructions for **Form 4562** and **Publication 534**, Depreciation, for details.

If you have listed property (such as a car or light truck) that you placed in service after June 18, 1984, for which you claimed a depreciation deduction, and the business use percentage of the property decreased to 50% or less during 1986, you may have to recapture excess depreciation, including any section 179 expense deduction. Get **Form 4797** and its instructions for details.

Investment Credit. The credit has generally been repealed for property placed in service after 1985. See **Changes You Should Note** on page 28.

If you dispose of investment credit property before the end of its class life or life years, the business use percentage decreases, or the use of the property otherwise changes so that it no longer qualifies, you may have to refigure the credit. Get **Form 4255**, Recapture of Investment Credit, for details.

Line 14

Enter the amount of your contributions that are not an incidental part of a pension or profit-sharing plan included on line 21. Also include here contributions to insurance, health, and welfare programs.

Lines 17a and 17b

If you paid interest that applies to future years, deduct for 1986 only the part that applies to 1986.

If you have a mortgage on real property used in your business, enter on line 17a the interest you paid for 1986 to financial

institutions. If you paid \$600 or more of interest on this mortgage, you should receive a **Form 1098**, Mortgage Interest Statement, or similar statement, showing the total interest received from you during 1986. You should receive this statement by February 2, 1987. If you and at least one other person (other than your spouse if you file a joint return) were liable for, and paid interest on, the mortgage and the other person received the **Form 1098**, attach a statement to your return showing the name and address of the person who received the **Form 1098**. In the left margin, next to line 17a, write "see attached."

If you paid more mortgage interest than is shown on **Form 1098**, or similar statement, get **Publication 545**, Interest Expense, to see if you can deduct the additional interest. If you can, attach a statement to your return explaining the difference and write "see attached" in the left margin next to line 17a.

Don't take a deduction on Schedule C for interest you paid or accrued on debts from buying or carrying investment property. This interest is generally deducted on **Schedule A**. For more information, get **Publication 550**, Investment Income and Expenses.

Line 21

You should 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, you should enter contributions made as an employer on your behalf (but not voluntary contributions you made as an employee) on **Form 1040**, line 27, instead of on Schedule C, line 21.

Generally, you are required to file one of the following forms if you maintain a pension, profit-sharing, or other funded-deferred compensation plan whether or not it qualified under the Internal Revenue Code and whether or not you claim a deduction for the current tax year.

Form 5500.—Complete this form for each plan with 100 or more participants.

Form 5500-C, 5500-R, or 5500EZ.—Complete the applicable form for each plan with less than 100 participants.

The Employee Retirement Income Security Act of 1974 imposes a penalty for failure to timely file these forms.

For more information, get **Publication 560**, Self-Employed Retirement Plans.

Line 23

You can deduct the cost of repairs including labor, supplies, and other items that do not add to the value or increase the life of the property. Do not deduct the value of your own labor. And do not deduct amounts you spent to restore or replace property. They are chargeable to capital accounts or to the depreciation reserve, depending on how depreciation is charged on your books. However, see the instructions for line 12 of Schedule C.

Line 25

You can deduct the following taxes:

- Real estate and personal property taxes on business assets.

- Social security taxes you paid to match what you were required to withhold from your employees' wages and any Federal unemployment tax paid.

- Federal highway use tax.

Do not deduct:

- Federal income taxes.
- Estate and gift taxes.
- Taxes assessed to pay for improvements, such as paving and sewers.
- Taxes on your home or personal property.
- Other taxes not related to your business.

Line 26

You can deduct all ordinary and necessary travel and entertainment expenses paid or incurred in your trade or business.

However, you cannot deduct any expense paid or incurred for a facility (such as a yacht or hunting lodge) that is used for any activity that is usually considered entertainment, amusement, or recreation.

Note: You may be able to deduct the expense if the amount is treated as compensation and reported on **Form W-2** for an employee or **Form 1099-MISC** for an independent contractor. (Get **Publication 463** for more details.)

Foreign Conventions. Generally, you cannot deduct expenses for attending a foreign convention unless it is directly related to your trade or business and it is as reasonable for the meeting to be held outside the North American area or Jamaica as within it. (For the definition of "North American area," see Publication 463.) You may also be able to deduct expenses for attending conventions held in certain Caribbean countries but only if the country met certain requirements. See Publication 463 for more details. These rules apply to employers as well as to employees.

You may be able to deduct up to \$2,000 of the cost of business expenses for attending conventions or similar meetings on a U.S. cruise ship. On a joint return, you may be able to deduct up to \$4,000 if each spouse attended the meeting and each spouse had at least \$2,000 of qualifying expenses. You must attach two separate statements to your tax return to support the deduction. See Publication 463 for details on what these statements must include and for specific rules on deducting expenses for attending meetings on U.S. cruise ships.

Line 28

Enter on line 28a the total salaries and wages (other than salaries and wages deducted elsewhere on your return) paid or incurred for the tax year. Do not include any amount paid to yourself.

Caution: If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as wages the amount applicable to depreciation and other expenses that you claimed elsewhere.

Enter on line 28b the jobs credit from **Form 5884**. Get **Publication 906**, Jobs and Research Credits, for information on the jobs credit.

Page 30

Line 29

If you hold an operating oil, gas, or mineral interest, and you are a cash method taxpayer, deduct on line 29 the amount of windfall profit tax actually withheld in 1986. **Form 6248**, Annual Information Return of Windfall Profit Tax—1986, shows the amount of windfall profit tax actually withheld in 1986.

Line 30

Include all ordinary and necessary business expenses not deducted elsewhere on Schedule C. Do not include the cost of business equipment or furniture, replacements or permanent improvements to property, or personal living and family expenses.

Any loss from this activity that was not allowed as a deduction last year because of the at-risk provisions is treated as a deduction allocable to this activity in 1986.

Amortization. Use **Form 4562** to figure your amortization deduction. Include on line 30 of Schedule C the amount from **Form 4562**, Part II.

You may amortize over a 60-month period:

- The cost of pollution-control facilities.
- Certain expenditures made before January 1, 1982, for child care facilities.
- Up to \$20,000 of the costs to rehabilitate qualified low-income housing.

You may amortize over a period of at least 60 months:

- Amounts paid for research, experiments, and a trademark or trade name.
- Certain business startup costs.

You may also amortize up to \$10,000 of qualified reforestation and reforestation costs over an 84-month period.

If you own a certified historic structure and pay or incur certain capital expenditures to rehabilitate it, special rules apply. Get **Publication 535**, Business Expenses, for more information.

You can deduct up to \$35,000 of the costs you paid or incurred in 1986 to remove architectural or transportation barriers to the handicapped and the elderly. See Publication 535 for more details.

If you lease business property, you may be able to either depreciate or amortize your leasehold improvement costs. See Publication 535 for details.

Real property construction period interest and taxes generally cannot be fully deducted in the year you paid or incurred them. You must capitalize and amortize amounts not allowed as a deduction in the current year. This rule does not apply to low-income housing.

However, you do not have to capitalize and amortize real property interest and taxes attributable to real property that you do not reasonably expect to use in your trade or business or in an activity engaged in for profit.

For more details, get Publication 535.

Line 32

If you have a loss, go on to line 33 before entering your loss on line 32. Enter the net profit or deductible loss here and combine this amount with the profit or (loss) from your other businesses, if any. Enter the total

on Form 1040, line 12, and Schedule SE, Part I, line 2 (or Form 1041, line 5, or Form 1041S, line 5).

Line 33

Deductions for losses by persons who are engaged in a trade or business or an activity for the production of income, except the holding of real property (other than mineral property), are limited to the amount they have at risk in the business.

If you have (1) a loss from any activity that you engaged in as a trade or business or for the production of income, except the holding of real property (other than mineral property) placed in service before January 1, 1987, and (2) you have amounts for which you are not at risk in the activity, use **Form 6198**, Computation of Deductible Loss From an Activity Described in Section 465(c), to determine the allowable loss to report on Schedule C.

Answer the question on line 33 "YES" if you have amounts for which you are not at risk for this business, such as the following:

1. nonrecourse loans used to finance your business, to acquire property used in your business, or to acquire your interest in the business unless they are secured by property not used in your business; or
2. amounts protected against loss by a guarantee, stop-loss agreement, or similar arrangement; or
3. loans from someone who has an interest in your business, other than as a creditor, or who is related, under section 168(e)(4), to a person (other than yourself) having such an interest; or
4. amounts contributed to your business, or to your interest in the business that is covered by:

- nonrecourse loans or protected against loss by a guarantee, stop-loss agreement, or similar arrangement; or

- loans from a person described in 3 above.

If you do not have any of these kinds of amounts for which you are not at risk in this business, answer the question "NO" and enter your loss on line 32.

If you answered "YES" to the question on line 33, get **Form 6198** to determine the amount of your deductible loss and enter that amount on line 32. If your at-risk amount is zero or less, enter zero on line 32. Be sure to attach **Form 6198** to your return. If you answer "Yes" to the question on line 33 and you fail to attach **Form 6198**, processing of your tax return may be delayed.

If, in addition to the amount that you report on Schedule C, you dispose of an asset used in an activity to which the at-risk rules apply and you have amounts in the activity for which you are not at risk, see the instructions for **Form 6198**.

Any loss from this business not allowed for 1986 is treated as a deduction allocable to the business in 1987.

For more details, get **Publication 536**, Net Operating Losses and the At-Risk Limits. Also see the instructions for **Form 6198**.

Part III

Cost of Goods Sold and/or Operations

Cost of Goods Sold. If you engaged in a trade or business in which the production, purchase, or sale of merchandise was an

income-producing factor, merchandise inventories must be taken into account at the beginning and end of your tax year.

Cost of Operations (Inventories Not an Income-Producing Factor). If the amount on line 2, Part I, includes the cost of operations, complete lines 1 through 8 of Part III as appropriate.

Instructions for Schedule SE Social Security Self-Employment Tax

Purpose of Schedule

Schedule SE is used by self-employed persons and employees of electing churches and qualified church-controlled organizations to figure any self-employment tax due. The Social Security Administration uses the information provided on Schedule SE to figure benefits for self-employed people under the social security program. Social security self-employment tax applies regardless of your age, and even if you are receiving social security benefits.

Who Must Use Schedule SE

You must use Schedule SE if:

- you were self-employed and your net earnings from self-employment were \$400 or more (\$100 or more if you were an employee of an electing church or church-controlled organization); and
- you did not have wages (including tips), other than medicare qualified government wages of \$42,000 or more that were subject to social security tax or railroad retirement tax.

Who Can Use Schedule SE

You can use Schedule SE if you will benefit from using the optional method of figuring self-employment earnings.

The optional method may benefit you if:

- your self-employment earnings are less than \$400 and Form 1040, line 33, is less than \$11,000 and you want to claim the earned income credit; or
- you had a loss from self-employment and you need to increase your net earnings from self-employment to qualify to claim the child and dependent care credit.

The optional method may give you credit toward your social security coverage even though you have a loss or low income from self-employment. However, the optional method may require you to pay self-employment tax when none would otherwise be required.

Fiscal Year Filers

If your tax year is a fiscal year, you must use the tax rate and earnings base that apply at the time the fiscal year begins. The tax or earnings base for a fiscal year that overlaps the date of a rate or earnings base change is not prorated.

More Than One Business

If you farmed and had at least one other trade or business or had two or more trades

or businesses, your net earnings from self-employment are the combined net earnings from all your businesses. If you had a loss in one trade or business, it reduces the income from another. Figure the combined self-employment tax on Schedule SE.

Joint Returns

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 profits or losses from all businesses on Form 1040, as appropriate. Then enter the combined self-employment tax on Form 1040, line 50.

Community Income

If any of the income from a business, including farming, is community income, all the income from that business is considered self-employment earnings of the spouse who carried on the trade or business unless there is a husband and wife partnership. The identity of the spouse who carried on the trade or business is determined by the facts in each situation.

If you and your spouse file separate returns, attach Schedule SE to the return of the spouse with the self-employment income. Also attach Schedule(s) C and/or Schedule(s) F. Community income included on these schedules must be divided, for income tax purposes, on the basis of the community property laws.

Partnerships

When figuring your combined net earnings from self-employment, include your share of partnership income or loss attributable to a trade or business and any guaranteed payments you received from your partnership. However, if you are a limited partner, only guaranteed payments are included in self-employment income. Line 13a of Schedule K-1 (Form 1065) should show your net earnings or loss from self-employment.

If your partnership is engaged solely in the operation of a group investment program, earnings from the operation are not self-employment earnings for either the general or limited partner.

If a husband and wife are both partners in a partnership, each spouse is subject to self-employment tax on his or her own share of partnership income. Each spouse must file a Schedule SE for self-employment tax purposes and report the partnership income or loss on Schedule E (Form 1040), Part II, for income tax purposes.

Self-employment income belongs to the person who is the member of the partnership and cannot be treated as self-employment income by the nonmember spouse. This applies even in community property states.

If a partner in a continuing partnership dies, that member's distributive share of partnership ordinary income or loss for the year must be included in the partner's net earnings from self-employment. Get **Publication 533**, Self-Employment Tax, if your partnership has a fiscal year.

Share-Farming

If you produced crops or livestock on land belonging to another for a share of the crops or livestock produced, or the proceeds from

them, you are an independent contractor and a self-employed person rather than an employee. Report your net earnings for income tax on Schedule F and for self-employment tax on Schedule SE. For more information, get **Publication 225**, Farmer's Tax Guide.

Exemption From Self-Employment Tax for Members of the Clergy and Certain Religious Orders and Sects

Income you received as a duly ordained, commissioned, or licensed minister of a church, a member of a religious order (but only if you are not under a vow of poverty), or a Christian Science practitioner is subject to social security self-employment tax unless you filed **Form 4361** and received IRS approval to exempt your ministerial earnings. If you have received IRS approval and have no other income subject to self-employment tax, write "Exempt—Form 4361" on Form 1040, line 50. If you filed Form 4361, but have \$400 or more from other earnings subject to self-employment tax, you must complete Schedule SE.

Note: If you have ever filed **Form 2031** to elect social security coverage on your ministerial earnings, you cannot apply for exemption now.

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 request exemption from self-employment tax by filing **Form 4029**. If you filed Form 4029 and have received IRS approval, do not file Schedule SE. Instead, write "Exempt—Form 4029" on Form 1040, line 50.

Coverage for Overseas Missionaries

If you are a U.S. citizen and a minister (except a Christian Science practitioner) or a member of a religious order serving outside the United States, you may figure earnings from self-employment as if you were serving in the United States (provided you have not elected exemption from coverage). For more information, get **Publication 517**, Social Security for Members of the Clergy and Religious Workers.

Employees of Churches and Qualified Church-Controlled Organizations

Note: If you are a minister or member of a religious order, do not use the following instructions.

If you were employed by a church or a qualified church-controlled organization that has in effect a certificate electing exemption from employer social security taxes, and you received wages of \$100 or more from any one church or church-controlled organization, you may be subject to self-employment tax. Use the following instructions unless you also have medicare qualified government wages and must use the worksheet for line 12b.

If your W-2 wages from a church or a qualified church-controlled organization are the only self-employment income you have, enter your church wages on line 12c. Skip lines 1 through 9 and start with line 11a. Enter on line 13, the smaller of line 12a or line 12c. Figure your self-employment tax on the amount on line 13.

If you have other self-employment income (loss) on line 9, use the following instructions:

- a. Enter your church wages on line 12c.
- b. If line 9 is less than \$400, enter the smaller of line 12a or line 12c on line 13.
- c. If line 9 is \$400 or more, add lines 9 and 12c and enter the smaller of that total or line 12a on line 13.

Figure your self-employment tax on the amount on line 13.

Note: Do not file Form 4029 with respect to wages you receive from a church or a church-controlled organization that has elected to treat its employees as self-employed.

U.S. Citizens Employed by Foreign Governments or International Organizations

You are subject to the self-employment tax if you are a U.S. citizen employed in the United States, Puerto Rico, Guam, American Samoa, the Northern Mariana Islands, or the Virgin Islands, by a foreign government, and in certain cases, by a wholly-owned instrumentality of a foreign government or by an international organization organized under the International Organizations Immunities Act. Report income from this employment on Schedule SE, line 2. If you are employed by a foreign government or an international organization in a country other than those listed, you are not subject to self-employment tax.

Self-Employed U.S. Citizens or Resident Aliens Living Outside the United States

If you are a self-employed U.S. citizen or resident alien living outside the United States, you are generally subject to the self-employment tax. Your foreign earnings from self-employment may be reduced by the deduction for certain foreign housing costs. However, you may not reduce your foreign earnings from self-employment by your foreign earned income exclusion.

Specific Instructions

Name of Self-Employed Person. Enter the name and social security number of the self-employed person as it appears on that person's social security card.

Part I

Regular Computation of Net Earnings From Self-Employment

Generally, net earnings from self-employment is your net profit from a sole proprietorship operated by you and your distributions from a partnership. (See **Partnerships** on page 31 for when to include your share of partnership income or loss.) See the instructions below for income included or not included in net earnings from self-employment.

Lines 1 and 2.—Exclude from lines 1 and 2 any income or expense not included in figuring net earnings from self-employment and attach an explanation. If you are a partner, reduce lines 1 and 2 for any expense deduction for recovery property (section 179) claimed, oil or gas depletion, or unreimbursed partnership expenses.

If you deposited earnings into a capital construction fund established under the

Page 32

Merchant Marine Act of 1936, get **Publication 595**, Tax Guide for Commercial Fishermen, for more information.

If you are a duly ordained minister who is an employee of a church and you are subject to self-employment tax, the unreimbursed business expenses that you incurred in performing your services as an employee of the church (allowed only as an itemized deduction) are deducted from your self-employment earnings in figuring your self-employment tax. For more information, get **Publication 517**.

Income Not Included in Net Earnings From Self-Employment

- Salaries, fees, etc., subject to social security tax that you received for performing services as an employee, including services performed as a public official (except as a fee basis government employee as explained under **Other Income Included in Net Earnings From Self-Employment**) or as an employee or employee representative under the railroad retirement system.
- Income you received as a retired partner under a written partnership plan that provides for lifelong periodic retirement payments if you had no other interest in the partnership and did not perform services for it during the year.
- Real estate rentals, unless 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 sharefarmer. You should report these amounts on Schedule E, Part I.
- Dividends on shares of stock and interest on bonds, notes, etc., unless received in the course of your trade or business as a dealer in stocks or securities.
- Gain or loss from:
 - a. the sale or exchange of a capital asset;
 - b. the sale, exchange, involuntary conversion, or other disposition of property, unless the property is stock in trade or other property that would be includible in inventory, or held primarily for sale to customers in the ordinary course of the business; or
 - c. certain transactions in timber, coal, or domestic iron ore.
- Net operating losses from other years.

Other Income Included in Net Earnings From Self-Employment

- Rental income from a farm if the rental arrangement provides for material participation by the landlord and, as landlord, you participated materially in the production or management of the production of farm products on this land. This income is farm earnings. (To determine whether you participated materially in farm management or production, do not consider the activities of any agent who acted for you.)
- Cash or a payment in kind received from the Department of Agriculture for participation in a land diversion program.
- Payments for the use of rooms or other space, such as rooms in hotels, boarding houses, tourist camps, or homes, when substantial services are also provided.
- Payments you received for space in parking lots, trailer parks, warehouses, or storage garages.
- Income you received from the retail sale of newspapers and magazines if you are 18 or over and kept the profits.

● Income you received as a crew member of a fishing vessel with a crew of normally less than 10 individuals. Get **Publication 595** for more information.

● Fees you received for services performed as a state or local government employee provided you are compensated solely on a fee basis and the position is not covered under a Federal-State social security coverage agreement.

● Interest received in the course of any trade or business, such as interest on notes or accounts receivable.

● The rental value of a home or an allowance for a home furnished you if you are a minister or a member of a religious order.

● The value of meals and lodging provided to you for the convenience of your employer if you are a minister or member of a religious order.

● Director's fees and other payments received by a director of a corporation for services as a director.

● Recapture amounts under sections 179 and 280F that were included in gross income because the business use of the property used in your trade or business dropped to 50% or less. (Do not include amounts recaptured on the disposition of property.) See **Form 4797**, Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions, for more information.

● Fiduciaries' fees received by professional fiduciaries. Also, nonprofessional fiduciaries if the fees relate to active participation in the operation of the estate's trade or business or the facts indicate the fiduciary manages an estate that requires extensive management activities over a long period of time.

Option and commodity dealers engaged in trading section 1256 contracts, see section 1402(i) to determine net earnings from self-employment.

Part II

Optional Method for Figuring Net Earnings From Farm Self-Employment

If your gross farm income for the year was not more than \$2,400, you can report two-thirds of your gross farm income instead of your actual net earnings from farming.

If your gross farm income was more than \$2,400, and your net farm profits were less than \$1,600, you can report \$1,600 on line 4.

This method can be used to increase or decrease net farm earnings, even if the farming operation resulted in a loss. There is no limit on how many times you can elect this optional method. If you use this method, you must apply it to all farm earnings from self-employment for the year. You may change the method (from actual net to optional net or the reverse) after you file your return.

For a farm partnership, your share of gross income is figured according to the partnership agreement. With guaranteed payments, your share of the partnership's gross income is your guaranteed payment plus your share of the gross income after it is reduced by all guaranteed payments of the partnership. Limited partners should include only guaranteed payments.

Optional Method for Figuring Net Earnings From Nonfarm Self-Employment

You may be able to use an optional method to figure your net earnings from nonfarm self-employment if your net nonfarm profits are less than \$1,600 and less than two-thirds of your gross nonfarm income.

You may use this optional method if you are regularly self-employed or regularly a member of a partnership. You meet this requirement 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 nonfarm and farm businesses in at least 2 of the 3 years immediately before the year for which you use the nonfarm option.

You may report on line 6 two-thirds of your gross nonfarm income (but not more than \$1,600) as your net earnings from self-employment, but you may not report less than your actual net earnings from nonfarm self-employment.

For a nonfarm partnership, your share of gross income is figured according to the partnership agreement. With guaranteed payments, your share of the partnership's gross income is your guaranteed payment plus your share of the gross income after it is reduced by all guaranteed payments of the partnership. Limited partners should include only guaranteed payments.

The limit for the optional method for nonfarm self-employment is 5 years. The 5 years need not be consecutive.

Using Both Optional Methods

If you have both nonfarm and farm income, you may only use the nonfarm optional method if your actual net earnings from nonfarm self-employment are less than \$1,600. In all combined cases, your net nonfarm profits must be less than two-thirds of your gross nonfarm income to use the nonfarm option. If you qualify to use both options, you may report less than actual total net earnings from farm and nonfarm income, but not less than actual net earnings from nonfarm self-employment alone.

If you use both options to figure net earnings from self-employment, your maximum combined total of net earnings from self-employment for any tax year cannot be more than \$1,600.

Line 4

Enter the smaller of:

- two-thirds (2/3) of the total gross income from all Schedules F, line 12, and Schedules K-1 (Form 1065), line 13b; or
- \$1,600.

Line 6

Enter the smallest of:

- \$1,600; or
- two-thirds (2/3) of the total gross income from all Schedules C, line 5, plus your distributive share of gross income from all nonfarm partnerships, Schedules K-1 (Form 1065), line 13c; or
- the amount on line 5 if you also had farm income and elect the farm optional method.

Part III

Computation of Social Security Self-Employment Tax

Line 11a

Medicare Qualified Government Employment

If you are a Federal, state, or local government employee and your wages are subject **ONLY** to the 1.45% medicare (hospital insurance benefits) tax, do **NOT** include this pay as social security wages on Schedule SE, line 11a. Social security wages entered on line 11a are wages subject to the old-age, survivors, and disability insurance tax in addition to the medicare tax.

Note: Also see the instructions for Form 1040, line 62, to see if you should file Form 4469, Computation of Excess Medicare Tax Credit.

Figure your self-employment tax using the rate below line 13 if you do not have to use the worksheet below. Do not reduce the rate by the medicare tax rate.

If your pay is subject **ONLY** to the 1.45% medicare tax and your combined wages and self-employment earnings (lines 9, 11c, 12b, and 12c, of Schedule SE) are in excess of \$42,000, skip line 13 and complete the worksheet below. Medicare qualified government wages are your Federal, state, or local government wages that are subject **ONLY** to the 1.45% medicare tax.

Worksheet—Line 12b (Keep for your records)

1. Enter total of lines 9 and 12c from Schedule SE 1. _____
2. Enter line 12a from Schedule SE 2. _____
3. Enter your medicare qualified government wages here and on line 12b of Schedule SE 3. _____
4. Subtract line 3 from line 2. (If zero or less, enter -0-.) 4. _____
5. Multiply the smaller of line 1 or line 2 by .0981. 5. _____
6. Multiply the smaller of line 1 or line 4 by .0249. 6. _____
7. Add lines 5 and 6. Enter on line 14 of Schedule SE and on Form 1040, line 50 7. _____

Instructions for

Schedule F

Farm Income and Expenses

Changes You Should Note

The Tax Reform Act of 1986 made a number of changes that may affect your 1986 return. Some of the changes for 1986 include new rules for:

- Certain expenses of replanting a grove, orchard, or vineyard due to casualty
- Certain prepaid expenses of cash basis taxpayers
- Depreciation
- Discharge of indebtedness
- Investment credit
- Land clearing expenses

The following change affects only fiscal year taxpayers:

- Soil and water conservation expenses

For information on these changes, get Publication 225, Farmer's Tax Guide.

New Checkboxes. There are three new checkboxes on Schedule F for 1986. See the instructions for lines C, D, and 9.

Purpose of Schedule

Use Schedule F to report farm income and expenses if you file Forms 1040, 1041, 1041S, or 1065. Please get Publication 225 for additional information. It has samples of filled-in forms and schedules, and lists important dates that apply to farmers. You may also want to get Publication 534, Depreciation.

Filers of Forms 1041, 1041S, and 1065. Do not complete the block labeled "Social security number (SSN)"; however, be sure to complete the block labeled "Employer ID number (NOT SSN)."

If you were required to make estimated tax payments in 1986 and you underpaid your estimated tax, you may be charged a penalty. However, you will not be charged a penalty if you meet the following tests:

1. your gross farming or fishing income for 1985 or 1986 is at least two-thirds of your gross income, and
2. you file your 1986 tax return and pay the tax due by March 2, 1987.

For more details, see Publication 225.

Do not report the following income on Schedule F:

- Rent you received that was based on farm production or crop shares if you did not materially participate in the operation or management of the farm. Report this income on Form 4835 and Schedule E (Form 1040). It is not subject to self-employment tax. For more details, see Publication 225.
- Rent from your pasture land that is based on a flat charge. Report this income in Part I of Schedule E. However, report on line 11 of Schedule F pasture income received from taking care of someone else's livestock.
- Sales, exchanges, or involuntary conversions (other than casualties or thefts) of certain trade or business property. Report this income on Form 4797.
- Sales of livestock held for draft, breeding, sport, or dairy purposes. Report this income on Form 4797.

Use Form 4684, Casualties and Thefts, to report a casualty or theft involving farm business property, including livestock held for draft, breeding, sport, or dairy purposes.

Information Returns

You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, annuities, and pensions, or for sales by you of \$5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other basis for resale. For more information, get the instructions for Form W-3, Transmittal of Income and Tax Statements; Instructions for Forms 1099, 1098, 5498, 1096, and W-2G; and Publication 916, Information Returns.

In addition, if you receive cash of more than \$10,000 in one or more related transactions in the course of your farming business, you may have to file **Form 8300**. Get the instructions for Form 8300 for details.

Lines A and B

On line A, enter your principal crop or service for the current year.

On line B, enter one of the twelve major agricultural activity codes listed on page 2 of Schedule F. The code you select should represent the major farm activity from which you derive the largest amount of your income. **Field crop** pertains to the production of grains, such as wheat, rice, feed corn, soybeans, barley, rye, and lentils; and nongrains such as cotton, tobacco, sugar, and Irish potatoes. **Horticultural specialty** includes the cultivation of ornamental floriculture and nursery products such as plants, shrubbery, bulbs, flowers, seed, and sod; and food crops grown under cover such as tomatoes, mushrooms, rhubarb, and fruit. **Animal specialty** includes the raising of pets, laboratory animals, such as dogs, cats, bees, snakes, and fish in captivity, except fish hatcheries.

Line C

Under the **cash method**, you include all of your income in the year you actually get it. Generally, you deduct your expenses when you pay them. If you use the cash method, check the box labeled "cash" and complete Parts I and II of Schedule F.

Under the **accrual method**, you include your income in the year you earn it. It does not matter when you get it. You deduct your expenses when you incur them. If you use the accrual method, check the box labeled "accrual" and complete Parts II and III of Schedule F.

Other rules also apply that determine the timing of deductions based on economic performance. Get **Publication 538**, Accounting Periods and Methods, for details.

Line D

If you made an election to include Commodity Credit Corporation loan proceeds as income in the year you received the proceeds rather than reporting as income the proceeds from the sale of the commodities in the year sold or in the year of forfeiture, and you reported these loan proceeds as income in a prior year, check the box on line D. For information on how to make this election, see the instructions for line 8.

Employer Identification (ID) Number

You need an employer ID number only if you had a Keogh plan, or you were required to file an employment, excise, fiduciary, partnership, or alcohol, tobacco, or firearms tax return.

Part I

Farm Income—Cash Method

In Part I show the income you received for the items listed on lines 1 through 11. Count both the cash you actually or constructively received and the fair market value of goods or other property you received for these items.

Page 34

Income is constructively received when it is credited to your account or set aside for you to use.

If you ran the farm yourself and received rents based on farm production or crop shares, report these rents as income on line 4.

Sales of Livestock Because of Drought. If you sold livestock because of a drought, you can choose to count the income from the sale in the year after the drought, instead of the year of the sale. You can do this **IF**:

- your main business is farming, **AND**
- you can show that you sold the livestock only because of the drought, **AND**
- your area qualified for Federal aid.

Lines 1 and 2

On line 1, show the amount you received from sales of livestock and other items you bought for resale. On line 2, show the cost or other basis of the livestock and other items you actually sold.

Line 4

Show the amount you got from the sale of livestock, produce, grains, and other products you raised.

Lines 5a and 5b

If you received distributions from a cooperative in 1986, you should receive **Form 1099-PATR**, Statement for Recipients (Patrons) of Taxable Distributions Received From Cooperatives. On line 5a show your total distributions from cooperatives. This includes patronage dividends, nonpatronage dividends, per-unit retain allocations, and redemption of nonqualified notices and per-unit retain allocations.

Show patronage dividends you received in cash, and the dollar amount of qualified written notices of allocation. If you received property as patronage dividends, report the fair market value of the property as income. Include cash advances you received from a marketing cooperative. If you get per-unit retains in cash, show the amount of cash. If you get qualified per-unit retain certificates, show the stated dollar amount of the certificate.

You do not have to include as income patronage dividends from buying personal or family items, capital assets, or depreciable assets you use in your business.

Enter these amounts on line 5b. If you do not report patronage dividends from these items as income, you must subtract the amount of the dividend from the cost or other basis of these items.

Lines 7a and 7b

Enter on line 7a cash you got as price support payments, diversion payments, and cost-share payments (sight drafts).

On line 7b, show the amounts the Department of Agriculture paid for materials, such as fertilizer or lime, or services, such as grading or constructing dams.

Line 8

Generally, you report income from a crop in the year you sell it. However, if you pledge part or all of your production to secure a

Commodity Credit Corporation loan, you may elect to report the loan proceeds as income in the year you receive them rather than reporting the income in the year of sale. If you make this election for loan proceeds received in 1986, report them on line 8 and attach a statement to your return showing the details of the loan.

If you receive a commodity credit loan and forfeit it in the same year, you must report the loan proceeds as income in the year received. If you forfeit the loan in a subsequent year and you did not elect to report the loan proceeds as income in the year received, you must report the loan proceeds in the year of forfeiture.

If you elected to report loan proceeds as income in the year received and 1986 is the year of sale or the year of forfeiture, check the box on line D.

For additional information on commodity credit loans, see Publication 225.

Line 9

In general, you must report crop insurance proceeds in the year you receive them. However, you may choose to include crop insurance proceeds (and certain disaster payments) in income in the tax year after the year of damage. If you make this election, you must attach a statement to your return for the year the damage took place. See Publication 225 for information on what you must include in your statement.

If you received crop insurance proceeds in 1986 and you elect to include these proceeds in income in the year following the damage, check the box on line 9.

Line 10

Show the amount you were paid for the use of your farm machinery.

Line 11

Use this line to report income other than that shown on lines 1 through 10. For example, include the following income items on line 11.

- Barter income.
- State gasoline tax refund you got in 1986.
- The amount of credit for Federal tax on gasoline or other fuel claimed on your 1985 Form 1040.
- The amount of credit for alcohol used as a fuel that was entered on **Form 6478**.

Report the sale of commodity futures contracts on this line if they were made to protect you from price changes. These are a form of business insurance and are considered hedges. Enter any profit on line 11. If you had a loss in a closed futures contract, show it as a minus amount.

Caution: For property acquired and hedging positions established, you must clearly identify on your books and records that the transaction was a hedging transaction.

Purchase or sales contracts are not true hedges if they offset losses that already happened. If you bought or sold commodity futures with the hope of making a profit due to favorable price changes, do not report the profit or loss on this line. Report the gain or loss on **Form 6781**, Gains and Losses From Section 1256 Contracts and Straddles.

For more details, see Publication 225.

Part II

Farm Deductions

Do not deduct:

- Personal or living expenses (such as taxes, insurance, or repairs on your home) that do not produce farm income.
- Expenses of raising anything you or your family used.
- The value of animals you raised that died.
- Loss of inventory.
- Personal losses.
- The cost of planting and growing citrus or almond groves before the close of the fourth tax year beginning with the tax year you plant them in their permanent grove. You must treat these items as part of the cost of the grove.

If you were repaid for any part of an expense, you must subtract the amount you were repaid from the deduction.

Farming Syndicates

A farming syndicate may be:

- a partnership, or
- any other noncorporate group, or
- an S corporation, if

a. the interests in the business have ever been for sale in a way that would require registration with any Federal or state agency, or

b. more than 35% of the loss during any tax year is spread between limited partners or limited entrepreneurs. (A limited partner is one who can lose only the amount invested in the partnership; a limited entrepreneur is a person who does not take any active part in managing the business.)

If you are a farming syndicate, your deductions are limited as follows:

- Generally, you can deduct feed, seed, fertilizers, and other farm supplies only in the year you actually use them (or only in the year you can deduct them under your accounting method). However, if you bought supplies you could not use because of fire, storm, flood, disease, or other casualty, then you may deduct them in the year you bought them.
- You must spread the cost of poultry you bought to use in business (or to resell) over 12 months, or the useful life, whichever is less.
- You cannot deduct the cost of planting, cultivating, maintaining or developing groves, orchards, or vineyards, which produce fruit or nuts, before the tax year in which they produce commercial quantities. You must treat these costs as part of the cost of the grove.

Line 15

You can deduct what you spent to conserve soil or water, or to prevent erosion of your land. You can also deduct what you paid to a soil or water district for conservation expenses. Do not deduct more than 25% of your gross income from farming (excluding certain gains from selling assets such as farm machinery and land). If your conservation expenses are more than the limit, you can carry the excess over to following years.

Line 16

You can deduct depreciation of buildings, improvements, cars and trucks, machinery, and other farm equipment of a permanent nature.

Do not deduct depreciation on:

- your home, furniture, or other personal items,
- land,
- livestock you bought or raised for resale, or
- other property in your inventory.

You may also choose under section 179 to expense a portion of the cost of certain depreciable property you bought in 1986 for use in your business. Figure your depreciation deduction, including the section 179 expense deduction, on **Form 4562**, Depreciation and Amortization. Enter on line 16 of Schedule F the amount from **Form 4562**, Part I.

The depreciation deduction for cars, including any section 179 deduction, is limited. The allowable amounts are further limited if your business use is less than 100%. In general, for cars or other "listed property" placed in service in 1986, you may not take a section 179 deduction if the property is used 50% or less in your trade or business. If you claim depreciation for any listed property, you must complete Part III of **Form 4562**. See the instructions for **Form 4562** and **Publication 534**, Depreciation, for details.

If you have listed property (such as a car or light truck) that you placed in service after June 18, 1984, for which you claimed a depreciation deduction, and the business use percentage of the property decreased to 50% or less during 1986, you may have to recapture excess depreciation, including any section 179 expense deduction. Get **Form 4797** and its instructions for details.

Investment Credit. The credit has generally been repealed for property placed in service after 1985. See **Changes You Should Note** in the Schedule C instructions on page 28.

If you dispose of investment credit property before the end of its class life or life years, the business use percentage decreases, or the use of the property otherwise changes so that it no longer qualifies, you may have to refigure the credit. Get **Form 4255**, Recapture of Investment Credit, for details.

Line 17

Enter any amounts you paid to programs for your employees that are not a part of the plans on line 27. Examples are insurance, health, and welfare programs. Do not include here amounts paid for yourself or your family.

Line 18

If you use the cash method, show what you paid for feed to be consumed by your livestock in the year of payment. However, if the feed is to be consumed in a later tax year, the expenses might not be deductible

in the year paid. See Publication 225 for more information on advance payments for feed.

Line 20

Do not include as freight paid the cost of transportation incurred in purchasing livestock held for resale. Instead, add these costs to the cost of the livestock, and deduct them when the livestock are sold.

Line 22

Enter only the amount of premiums for fire, storm, crop, and theft insurance for this year for your farm business assets. Do not include insurance on personal assets, or medical, health, or disability insurance on yourself or your family.

Lines 23a and 23b

If you have a mortgage on your farm (real property), enter on line 23a the interest you paid for 1986 to financial institutions. If you paid \$600 or more of interest on this mortgage, you should receive **Form 1098**, Mortgage Interest Statement, or similar statement, showing the total interest received from you during 1986. You should receive this statement by February 2, 1987. If you and at least one other person (other than your spouse if you file a joint return) were liable for, and paid interest on, the mortgage and the other person received the **Form 1098**, attach a statement to your return showing the name and address of the person who received the **Form 1098**. In the left margin, next to line 23a, write "see attached."

If you paid more mortgage interest than is shown on **Form 1098**, or similar statement, get **Publication 545**, Interest Expense, to see if you can deduct the additional interest. If you can, attach a statement to your return explaining the difference and write "see attached" in the left margin next to line 23a.

Note: If the farm mortgage interest you paid includes interest on your personal residence, deduct the interest for the residence on Schedule A (**Form 1040**). Do not deduct it on Schedule F.

On line 23b, enter the interest on other loans related to this farm. If you prepaid interest in 1986 for years after 1986, include only the part that applies to 1986.

Lines 24a and 24b

Enter the amount you paid for farm labor. You can count the cost of boarding farm labor but not the value of any products they used from the farm. You can count only what you paid household help to care for farm laborers. Do not count the value of your own or your family's labor.

Caution: If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as farm labor the amount applicable to depreciation and other expenses claimed elsewhere.

Enter on line 24b the jobs credit from **Form 5884**. Get **Publication 906**, Jobs and Research Credits, for information on the jobs credit.

Line 26

Enter what you paid to rent machinery used on your farm.

Line 27

Enter the amount you paid to pension, profit-sharing, or annuity plans for your employees. If the plan included you as an owner-employee, see the instructions for Schedule C, line 21, on page 29. Enter the amount you paid for yourself on Form 1040, line 27.

Line 28

Enter what you paid to rent pasture or farm land.

Line 29

Enter what you paid for repairs and upkeep of farm buildings (but not your home), machinery, and equipment. You can also include what you paid for tools of short life or small cost, such as shovels and rakes.

Line 33

You can deduct the following taxes:

- Real estate and personal property taxes on farm business assets.
- Social security taxes you paid to match what you are required to withhold from farm employees' wages and any Federal unemployment tax paid.
- Federal highway use tax.

Do not deduct:

- Federal income taxes.
- Estate and gift taxes.
- Taxes assessed to pay for improvements, such as paving and sewers.
- Taxes on your home or personal property.
- Other taxes not related to the farm business.

Line 34

Enter what you paid for gas, electricity, water, etc., for business use on the farm. Do not include personal utilities.

Line 36

Enter expenses not listed on another line, such as:

- Office supplies.
- Advertising.
- Any loss from this activity that was not allowed as a deduction last year because of the at-risk provisions. This is treated as a deduction allocable to this activity in 1986.
- Amortization of qualifying forestation and reforestation costs over an 84-month period.
- Amortization of certain business startup costs over a period of at least 60 months.

Use **Form 4562**, Depreciation and Amortization, to figure your amortization deduction. Include on line 36 of Schedule F the amount of the deduction from Form 4562, Part II.

For more information on amortization, get **Publication 535**, Business Expenses.

- **Bad Debts.** Include debts and partial debts arising from sales that were included in income and are definitely known to be worthless. Instead of this, you may deduct a reasonable amount that was added during the tax year to a bad debt reserve. **Caution:** *Cash method taxpayers are not entitled to a bad debt deduction unless the amount was previously included in income.*

If you later collect a debt that you deducted as a bad debt, include it as income in the year you collect it unless you use the bad debt reserve method. For more information, please get **Publication 548**, Deduction for Bad Debts.

- **Car and truck expenses.** You can deduct the actual cost of running your car or truck, or take the standard mileage rate.

Note: *If you claim any car or truck expenses (actual costs or the standard mileage rate), you must complete Part III of Form 4562.*

The standard rate is 21 cents a mile up to 15,000 miles, and 11 cents a mile for each mile after that. If you use more than one vehicle for business, you must use the actual cost. If you use the vehicle for both personal and farm purposes, show only the miles (or costs) which apply to farming.

For vehicles that have been fully depreciated, the rate is 11 cents a mile.

If you use the standard rate, the vehicle is considered to have a useful life of 60,000 miles of business use at the maximum standard mileage rate.

If you place a car or truck in service after December 31, 1980, and take the standard mileage rate, you are treated as having elected to exclude this vehicle from ACRS.

For more details, get **Publication 917**, Business Use of a Car.

Note: *If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a Federal highway use tax on these vehicles. Get Form 2290, Heavy Vehicle Use Tax Return, to see if you are subject to the tax.*

Line 38

If you have a loss, go on to line 39 before entering your loss on line 38. Enter the net profit or deductible loss here and on Form 1040, line 19, and Schedule SE, Part I, line 1 (or Form 1041, line 5, or Form 1041S, line 5). Partnerships should stop here and enter the profit or loss on this line and on Form 1065, line 8.

Line 39

If you have (1) a loss from any farming activity that you engaged in as a trade or business or for the production of income, except the holding of real property (other than mineral property) placed in service before January 1, 1987, and (2) you have amounts for which you are not at risk in the activity, use **Form 6198**, Computation of Deductible Loss From an Activity Described in Section 465(c), to determine the allowable loss to report on Schedule F.

Answer the question on line 39 "YES" if you have any amounts for which you are not at risk for this farm such as the following:

1. nonrecourse loans used to finance the activity, to acquire property used in the activity, or to acquire your interest in the activity unless they are secured by property not used in the activity; or
2. amounts protected against loss by a guarantee, stop-loss agreement, or similar arrangement; or
3. loans from someone who has an interest in the activity, other than as a creditor, or who is related, under section 168(e)(4), to a person (other than yourself) having such an interest; or
4. amounts contributed to the activity, or to your interest in the activity that is covered by:
 - nonrecourse loans or protected against loss by a guarantee, stop-loss agreement, or similar arrangement, or
 - loans from a person described in 3 above.

If you do not have any of these kinds of amounts for which you are not at risk in this business, then answer the question "NO" and enter your loss on line 38.

If you answered "YES" to the question on line 39, get Form 6198 to determine the amount of deductible loss and enter that amount on line 38. If your at-risk amount is zero or less, enter zero on line 38. Be sure to attach Form 6198 to your return. If you answer "Yes" to the question on line 39 and you fail to attach Form 6198, processing of your return may be delayed.

If, in addition to the amount that you report on Schedule F, you sell or otherwise dispose of (1) an asset used in an activity to which the at-risk rules apply, or (2) any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, see the instructions for Form 6198.

Any loss from this activity not allowed for 1986 is treated as a deduction allocable to the activity in 1987.

For more details, get **Publication 536**, Net Operating Losses and the At-Risk Limits. Also see the instructions for Form 6198.

Part III

Farm Income—Accrual Method

If you use the accrual method, report farm income when you earn it, not when you receive it. Generally, you must inventory your animals and crops if you use this method. Get **Publication 538**, Accounting Periods and Methods, for exceptions, inventory methods, and how to change methods of accounting.

Line 40

Enter the amount you got from the sales of livestock, produce, grains, and other products you raised.

Lines 41 through 46

See instructions for Part I, lines 5, 7, 8, 10, and 11.

1986 Tax Table

Based on Taxable Income

For persons with taxable incomes of less than \$50,000.

Your zero bracket amount has been built into the Tax Table.

Example: Mr. and Mrs. Brown are filing a joint return. Their taxable income on line 37 of Form 1040 is \$25,325. First, they find the \$25,300-25,350 income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the income line and filing status column meet is \$3,470. This is the tax amount they must write on line 38 of their return.

At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
			Your tax is—		
25,200	25,250	4,406	3,448	5,468	4,075
25,250	25,300	4,419	3,459	5,487	4,087
25,300	25,350	4,432	<u>3,470</u>	5,506	4,099
25,350	25,400	4,446	3,481	5,525	4,112

If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
\$0	\$1,850	\$0	\$0	\$0	\$0	2,400	2,425	0	0	64	0	3,400	3,450	104	0	179	104
1,850	1,875	0	0	3	0	2,425	2,450	0	0	66	0	3,450	3,500	109	0	185	109
1,875	1,900	0	0	6	0	2,450	2,475	0	0	69	0	3,500	3,550	115	0	191	115
						2,475	2,500	a1	0	72	a1	3,550	3,600	120	0	197	120
						2,500	2,525	4	0	75	4	3,600	3,650	126	0	203	126
1,900	1,925	0	0	9	0	2,525	2,550	6	0	77	6	3,650	3,700	132	b1	209	131
1,925	1,950	0	0	11	0	2,550	2,575	9	0	80	9	3,700	3,750	138	6	215	137
1,950	1,975	0	0	14	0	2,575	2,600	12	0	83	12	3,750	3,800	144	12	221	142
1,975	2,000	0	0	17	0	2,600	2,625	15	0	86	15	3,800	3,850	150	17	227	148
						2,625	2,650	17	0	88	17	3,850	3,900	156	23	233	153
						2,650	2,675	20	0	91	20	3,900	3,950	162	28	239	159
						2,675	2,700	23	0	94	23	3,950	4,000	168	34	245	164
						2,700	2,725	26	0	97	26	4,000					
						2,725	2,750	28	0	99	28	4,000	4,050	174	39	251	170
						2,750	2,775	31	0	102	31	4,050	4,100	180	45	257	175
						2,775	2,800	34	0	105	34	4,100	4,150	186	50	264	181
						2,800	2,825	37	0	108	37	4,150	4,200	192	56	271	186
						2,825	2,850	39	0	110	39	4,200	4,250	198	61	278	192
						2,850	2,875	42	0	113	42	4,250	4,300	204	67	285	197
						2,875	2,900	45	0	116	45	4,300	4,350	210	72	292	203
						2,900	2,925	48	0	119	48	4,350	4,400	216	78	299	208
						2,925	2,950	50	0	121	50	4,400	4,450	222	83	306	214
						2,950	2,975	53	0	124	53	4,450	4,500	228	89	313	219
						2,975	3,000	56	0	127	56	4,500	4,550	234	94	320	225
						3,000						4,550	4,600	240	100	327	230
						3,000	3,050	60	0	131	60	4,600	4,650	246	105	334	236
						3,050	3,100	65	0	137	65	4,650	4,700	252	111	341	241
						3,100	3,150	71	0	143	71	4,700	4,750	258	116	348	247
						3,150	3,200	76	0	149	76	4,750	4,800	264	122	355	253
						3,200	3,250	82	0	155	82	4,800	4,850	271	127	362	259
						3,250	3,300	87	0	161	87	4,850	4,900	278	133	369	265
						3,300	3,350	93	0	167	93	4,900	4,950	285	138	376	271
						3,350	3,400	98	0	173	98	4,950	5,000	292	144	383	277

* This column must also be used by a qualifying widow(er).

Continued on next page

a If your taxable income is exactly \$2,480 or less, your tax is zero.

b If your taxable income is exactly \$3,670 or less, your tax is zero.

1986 Tax Table—Continued

If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
5,000						8,000						11,000					
5,000	5,050	299	149	390	283	8,000	8,050	729	500	842	663	11,000	11,050	1,198	916	1,375	1,132
5,050	5,100	306	155	397	289	8,050	8,100	737	506	850	670	11,050	11,100	1,206	923	1,386	1,141
5,100	5,150	313	160	404	295	8,100	8,150	744	512	858	677	11,100	11,150	1,214	930	1,397	1,149
5,150	5,200	320	166	411	301	8,150	8,200	752	518	866	684	11,150	11,200	1,222	937	1,408	1,158
5,200	5,250	327	171	418	307	8,200	8,250	759	524	874	691	11,200	11,250	1,230	944	1,419	1,166
5,250	5,300	334	177	425	313	8,250	8,300	767	531	882	698	11,250	11,300	1,238	951	1,430	1,175
5,300	5,350	341	182	432	319	8,300	8,350	774	538	890	705	11,300	11,350	1,246	958	1,441	1,183
5,350	5,400	348	188	439	325	8,350	8,400	782	545	898	712	11,350	11,400	1,254	965	1,452	1,192
5,400	5,450	355	193	446	331	8,400	8,450	789	552	906	719	11,400	11,450	1,262	972	1,463	1,200
5,450	5,500	362	199	453	337	8,450	8,500	797	559	914	726	11,450	11,500	1,270	979	1,474	1,209
5,500	5,550	369	204	460	343	8,500	8,550	804	566	922	733	11,500	11,550	1,278	986	1,485	1,217
5,550	5,600	376	210	467	349	8,550	8,600	812	573	930	740	11,550	11,600	1,286	993	1,496	1,226
5,600	5,650	383	215	474	355	8,600	8,650	819	580	938	747	11,600	11,650	1,294	1,000	1,507	1,234
5,650	5,700	390	221	481	361	8,650	8,700	827	587	947	754	11,650	11,700	1,302	1,007	1,518	1,243
5,700	5,750	397	226	488	367	8,700	8,750	834	594	956	761	11,700	11,750	1,311	1,014	1,529	1,251
5,750	5,800	404	232	495	373	8,750	8,800	842	601	965	768	11,750	11,800	1,320	1,021	1,540	1,260
5,800	5,850	411	237	502	379	8,800	8,850	849	608	974	775	11,800	11,850	1,329	1,028	1,551	1,268
5,850	5,900	418	243	509	385	8,850	8,900	857	615	983	782	11,850	11,900	1,338	1,035	1,562	1,277
5,900	5,950	425	248	516	391	8,900	8,950	864	622	992	789	11,900	11,950	1,347	1,042	1,573	1,285
5,950	6,000	432	254	523	397	8,950	9,000	872	629	1,001	796	11,950	12,000	1,356	1,049	1,584	1,294
6,000						9,000						12,000					
6,000	6,050	439	260	530	403	9,000	9,050	879	636	1,010	803	12,000	12,050	1,365	1,056	1,595	1,302
6,050	6,100	446	266	537	409	9,050	9,100	887	643	1,019	810	12,050	12,100	1,374	1,063	1,606	1,311
6,100	6,150	453	272	544	415	9,100	9,150	894	650	1,028	817	12,100	12,150	1,383	1,070	1,617	1,319
6,150	6,200	460	278	551	421	9,150	9,200	902	657	1,037	824	12,150	12,200	1,392	1,077	1,628	1,328
6,200	6,250	467	284	558	427	9,200	9,250	910	664	1,046	831	12,200	12,250	1,401	1,084	1,639	1,336
6,250	6,300	474	290	565	433	9,250	9,300	918	671	1,055	838	12,250	12,300	1,410	1,091	1,650	1,345
6,300	6,350	481	296	572	439	9,300	9,350	926	678	1,064	845	12,300	12,350	1,419	1,098	1,661	1,353
6,350	6,400	488	302	579	445	9,350	9,400	934	685	1,073	852	12,350	12,400	1,428	1,105	1,672	1,362
6,400	6,450	495	308	586	451	9,400	9,450	942	692	1,082	860	12,400	12,450	1,437	1,112	1,683	1,370
6,450	6,500	502	314	594	457	9,450	9,500	950	699	1,091	869	12,450	12,500	1,446	1,119	1,694	1,379
6,500	6,550	509	320	602	463	9,500	9,550	958	706	1,100	877	12,500	12,550	1,455	1,126	1,705	1,387
6,550	6,600	516	326	610	469	9,550	9,600	966	713	1,109	886	12,550	12,600	1,464	1,133	1,716	1,396
6,600	6,650	523	332	618	475	9,600	9,650	974	720	1,118	894	12,600	12,650	1,473	1,140	1,727	1,404
6,650	6,700	530	338	626	481	9,650	9,700	982	727	1,127	903	12,650	12,700	1,482	1,147	1,738	1,413
6,700	6,750	537	344	634	487	9,700	9,750	990	734	1,136	911	12,700	12,750	1,491	1,154	1,749	1,421
6,750	6,800	544	350	642	493	9,750	9,800	998	741	1,145	920	12,750	12,800	1,500	1,161	1,760	1,430
6,800	6,850	551	356	650	499	9,800	9,850	1,006	748	1,154	928	12,800	12,850	1,509	1,168	1,771	1,439
6,850	6,900	558	362	658	505	9,850	9,900	1,014	755	1,163	937	12,850	12,900	1,518	1,176	1,782	1,448
6,900	6,950	565	368	666	511	9,900	9,950	1,022	762	1,172	945	12,900	12,950	1,527	1,184	1,793	1,457
6,950	7,000	572	374	674	517	9,950	10,000	1,030	769	1,181	954	12,950	13,000	1,536	1,192	1,804	1,466
7,000						10,000						13,000					
7,000	7,050	579	380	682	523	10,000	10,050	1,038	776	1,190	962	13,000	13,050	1,545	1,200	1,815	1,475
7,050	7,100	587	386	690	530	10,050	10,100	1,046	783	1,199	971	13,050	13,100	1,554	1,208	1,826	1,484
7,100	7,150	594	392	698	537	10,100	10,150	1,054	790	1,208	979	13,100	13,150	1,563	1,216	1,837	1,493
7,150	7,200	602	398	706	544	10,150	10,200	1,062	797	1,217	988	13,150	13,200	1,572	1,224	1,848	1,502
7,200	7,250	609	404	714	551	10,200	10,250	1,070	804	1,226	996	13,200	13,250	1,581	1,232	1,859	1,511
7,250	7,300	617	410	722	558	10,250	10,300	1,078	811	1,235	1,005	13,250	13,300	1,590	1,240	1,870	1,520
7,300	7,350	624	416	730	565	10,300	10,350	1,086	818	1,244	1,013	13,300	13,350	1,599	1,248	1,882	1,529
7,350	7,400	632	422	738	572	10,350	10,400	1,094	825	1,253	1,022	13,350	13,400	1,608	1,256	1,895	1,538
7,400	7,450	639	428	746	579	10,400	10,450	1,102	832	1,262	1,030	13,400	13,450	1,617	1,264	1,907	1,547
7,450	7,500	647	434	754	586	10,450	10,500	1,110	839	1,271	1,039	13,450	13,500	1,626	1,272	1,920	1,556
7,500	7,550	654	440	762	593	10,500	10,550	1,118	846	1,280	1,047	13,500	13,550	1,635	1,280	1,932	1,565
7,550	7,600	662	446	770	600	10,550	10,600	1,126	853	1,289	1,056	13,550	13,600	1,644	1,288	1,945	1,574
7,600	7,650	669	452	778	607	10,600	10,650	1,134	860	1,298	1,064	13,600	13,650	1,653	1,296	1,957	1,583
7,650	7,700	677	458	786	614	10,650	10,700	1,142	867	1,307	1,073	13,650	13,700	1,662	1,304	1,970	1,592
7,700	7,750	684	464	794	621	10,700	10,750	1,150	874	1,316	1,081	13,700	13,750	1,671	1,312	1,982	1,601
7,750	7,800	692	470	802	628	10,750	10,800	1,158	881	1,325	1,090	13,750	13,800				

1986 Tax Table—Continued

If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing sepa- rately	Head of a house- hold	At least	But less than	Single	Married filing jointly *	Married filing sepa- rately	Head of a house- hold	At least	But less than	Single	Married filing jointly *	Married filing sepa- rately	Head of a house- hold
		Your tax is—						Your tax is—						Your tax is—			
14,000						17,000						20,000					
14,000	14,050	1,727	1,360	2,057	1,655	17,000	17,050	2,352	1,840	2,834	2,212	20,000	20,050	3,054	2,375	3,726	2,827
14,050	14,100	1,737	1,368	2,070	1,664	17,050	17,100	2,364	1,848	2,848	2,222	20,050	20,100	3,067	2,384	3,742	2,839
14,100	14,150	1,747	1,376	2,082	1,673	17,100	17,150	2,375	1,856	2,862	2,232	20,100	20,150	3,080	2,393	3,759	2,851
14,150	14,200	1,757	1,384	2,095	1,682	17,150	17,200	2,387	1,864	2,876	2,242	20,150	20,200	3,093	2,402	3,775	2,863
14,200	14,250	1,767	1,392	2,107	1,691	17,200	17,250	2,398	1,872	2,890	2,252	20,200	20,250	3,106	2,411	3,792	2,875
14,250	14,300	1,777	1,400	2,120	1,700	17,250	17,300	2,410	1,880	2,904	2,262	20,250	20,300	3,119	2,420	3,808	2,887
14,300	14,350	1,787	1,408	2,132	1,709	17,300	17,350	2,421	1,889	2,918	2,272	20,300	20,350	3,132	2,429	3,825	2,899
14,350	14,400	1,797	1,416	2,145	1,718	17,350	17,400	2,433	1,898	2,932	2,282	20,350	20,400	3,145	2,438	3,841	2,911
14,400	14,450	1,807	1,424	2,157	1,727	17,400	17,450	2,444	1,907	2,946	2,292	20,400	20,450	3,158	2,447	3,858	2,923
14,450	14,500	1,817	1,432	2,170	1,736	17,450	17,500	2,456	1,916	2,960	2,302	20,450	20,500	3,171	2,456	3,874	2,935
14,500	14,550	1,827	1,440	2,182	1,745	17,500	17,550	2,467	1,925	2,974	2,312	20,500	20,550	3,184	2,465	3,891	2,947
14,550	14,600	1,837	1,448	2,195	1,754	17,550	17,600	2,479	1,934	2,988	2,322	20,550	20,600	3,197	2,474	3,907	2,959
14,600	14,650	1,847	1,456	2,207	1,763	17,600	17,650	2,490	1,943	3,002	2,332	20,600	20,650	3,210	2,483	3,924	2,971
14,650	14,700	1,857	1,464	2,220	1,772	17,650	17,700	2,502	1,952	3,016	2,342	20,650	20,700	3,223	2,492	3,940	2,983
14,700	14,750	1,867	1,472	2,232	1,781	17,700	17,750	2,513	1,961	3,030	2,352	20,700	20,750	3,236	2,501	3,957	2,995
14,750	14,800	1,877	1,480	2,245	1,790	17,750	17,800	2,525	1,970	3,044	2,362	20,750	20,800	3,249	2,510	3,973	3,007
14,800	14,850	1,887	1,488	2,257	1,799	17,800	17,850	2,536	1,979	3,058	2,372	20,800	20,850	3,262	2,519	3,990	3,019
14,850	14,900	1,897	1,496	2,270	1,808	17,850	17,900	2,548	1,988	3,072	2,382	20,850	20,900	3,275	2,528	4,006	3,031
14,900	14,950	1,907	1,504	2,282	1,817	17,900	17,950	2,559	1,997	3,086	2,392	20,900	20,950	3,288	2,537	4,023	3,043
14,950	15,000	1,917	1,512	2,295	1,826	17,950	18,000	2,571	2,006	3,100	2,402	20,950	21,000	3,301	2,546	4,039	3,055
15,000						18,000						21,000					
15,000	15,050	1,927	1,520	2,307	1,835	18,000	18,050	2,582	2,015	3,114	2,412	21,000	21,050	3,314	2,555	4,056	3,067
15,050	15,100	1,937	1,528	2,320	1,844	18,050	18,100	2,594	2,024	3,128	2,422	21,050	21,100	3,327	2,564	4,072	3,079
15,100	15,150	1,947	1,536	2,332	1,853	18,100	18,150	2,605	2,033	3,142	2,432	21,100	21,150	3,340	2,573	4,089	3,091
15,150	15,200	1,957	1,544	2,345	1,862	18,150	18,200	2,617	2,042	3,156	2,442	21,150	21,200	3,353	2,582	4,105	3,103
15,200	15,250	1,967	1,552	2,357	1,871	18,200	18,250	2,628	2,051	3,170	2,452	21,200	21,250	3,366	2,591	4,122	3,115
15,250	15,300	1,977	1,560	2,370	1,880	18,250	18,300	2,640	2,060	3,184	2,462	21,250	21,300	3,379	2,600	4,138	3,127
15,300	15,350	1,987	1,568	2,382	1,889	18,300	18,350	2,651	2,069	3,198	2,472	21,300	21,350	3,392	2,609	4,155	3,139
15,350	15,400	1,997	1,576	2,395	1,898	18,350	18,400	2,663	2,078	3,212	2,482	21,350	21,400	3,405	2,618	4,171	3,151
15,400	15,450	2,007	1,584	2,407	1,907	18,400	18,450	2,674	2,087	3,226	2,492	21,400	21,450	3,418	2,627	4,188	3,163
15,450	15,500	2,017	1,592	2,420	1,916	18,450	18,500	2,686	2,096	3,240	2,502	21,450	21,500	3,431	2,636	4,204	3,175
15,500	15,550	2,027	1,600	2,432	1,925	18,500	18,550	2,697	2,105	3,254	2,512	21,500	21,550	3,444	2,645	4,221	3,187
15,550	15,600	2,037	1,608	2,445	1,934	18,550	18,600	2,709	2,114	3,268	2,522	21,550	21,600	3,457	2,654	4,237	3,199
15,600	15,650	2,047	1,616	2,457	1,943	18,600	18,650	2,720	2,123	3,282	2,532	21,600	21,650	3,470	2,663	4,254	3,211
15,650	15,700	2,057	1,624	2,470	1,952	18,650	18,700	2,732	2,132	3,296	2,542	21,650	21,700	3,483	2,672	4,270	3,223
15,700	15,750	2,067	1,632	2,482	1,961	18,700	18,750	2,743	2,141	3,310	2,552	21,700	21,750	3,496	2,681	4,287	3,235
15,750	15,800	2,077	1,640	2,495	1,970	18,750	18,800	2,755	2,150	3,324	2,562	21,750	21,800	3,509	2,690	4,303	3,247
15,800	15,850	2,087	1,648	2,507	1,979	18,800	18,850	2,766	2,159	3,338	2,572	21,800	21,850	3,522	2,700	4,320	3,259
15,850	15,900	2,097	1,656	2,520	1,988	18,850	18,900	2,778	2,168	3,352	2,582	21,850	21,900	3,535	2,711	4,336	3,271
15,900	15,950	2,107	1,664	2,532	1,997	18,900	18,950	2,789	2,177	3,366	2,592	21,900	21,950	3,548	2,722	4,353	3,283
15,950	16,000	2,117	1,672	2,545	2,006	18,950	19,000	2,801	2,186	3,380	2,602	21,950	22,000	3,561	2,733	4,369	3,295
16,000						19,000						22,000					
16,000	16,050	2,127	1,680	2,557	2,015	19,000	19,050	2,812	2,195	3,396	2,612	22,000	22,050	3,574	2,744	4,386	3,307
16,050	16,100	2,137	1,688	2,570	2,024	19,050	19,100	2,824	2,204	3,412	2,622	22,050	22,100	3,587	2,755	4,402	3,319
16,100	16,150	2,147	1,696	2,582	2,033	19,100	19,150	2,835	2,213	3,429	2,632	22,100	22,150	3,600	2,766	4,419	3,331
16,150	16,200	2,157	1,704	2,596	2,042	19,150	19,200	2,847	2,222	3,445	2,642	22,150	22,200	3,613	2,777	4,435	3,343
16,200	16,250	2,168	1,712	2,610	2,052	19,200	19,250	2,858	2,231	3,462	2,652	22,200	22,250	3,626	2,788	4,452	3,355
16,250	16,300	2,180	1,720	2,624	2,062	19,250	19,300	2,870	2,240	3,478	2,662	22,250	22,300	3,639	2,799	4,468	3,367
16,300	16,350	2,191	1,728	2,638	2,072	19,300	19,350	2,881	2,249	3,495	2,672	22,300	22,350	3,652	2,810	4,485	3,379
16,350	16,400	2,203	1,736	2,652	2,082	19,350	19,400	2,893	2,258	3,511	2,682	22,350	22,400	3,665	2,821	4,501	3,391
16,400	16,450	2,214	1,744	2,666	2,092	19,400	19,450	2,904	2,267	3,528	2,692	22,400	22,450	3,678	2,832	4,518	3,403
16,450	16,500	2,226	1,752	2,680	2,102	19,450	19,500	2,916	2,276	3,544	2,702	22,450	22,500	3,691	2,843	4,534	3,415
16,500	16,550	2,237	1,760	2,694	2,112	19,500	19,550	2,927	2,285	3,561	2,712	22,500	22,550	3,704	2,854	4,551	3,427
16,550	16,600	2,249	1,768	2,708	2,122	19,550	19,600	2,939	2,294	3,577	2,722	22,550	22,600	3,717	2,865	4,567	3,439
16,600	16,650	2,260	1,776	2,722	2,132	19,600	19,650	2,950	2,303	3,594	2,732	22,600	22,650	3,730	2,876	4,584	3,451
16,650	16,700	2,272	1,784	2,736	2,142	19,650	19,700	2,963	2,312	3,610	2,743	22,650	22,700	3,743	2,887	4,600	3,463
16,700	16,750	2,283	1,792	2,750	2,152	19,700	19,750	2,976	2,321	3,627	2,755	22,700	22,750	3,756	2,898	4,617	3,475
16,750	16,800	2,295	1,800	2,764	2,162	19,750	19,800	2,989	2,330	3,643	2,767	22,750	22,800	3,769	2,909	4,633	3,487
16,800	16,850	2,306	1,808	2,778	2,172	19,800	19,850	3,002	2,339	3,660	2,779	22,800	22,850	3,782	2,920	4,650	3,499
16,850	16,900	2,318	1,816	2,792	2,182	19,850	19,900	3,015	2,348	3,676	2,791	22,850	22,900	3,795	2,931	4,666	3,511
16,900	16,950	2,329	1,824	2,806	2,192	19,900	19,950	3,028	2,357	3,693	2,803	22,900	22,950	3,808	2,942	4,683	3,523

1986 Tax Table—Continued

If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
23,000						26,000						29,000					
23,000 23,050	3,834	2,964	4,716	3,547	26,000 26,050	4,641	3,624	5,772	4,294	29,000 29,050	5,541	4,358	6,912	5,134			
23,050 23,100	3,847	2,975	4,732	3,559	26,050 26,100	4,656	3,635	5,791	4,308	29,050 29,100	5,556	4,371	6,931	5,148			
23,100 23,150	3,860	2,986	4,749	3,571	26,100 26,150	4,671	3,646	5,810	4,322	29,100 29,150	5,571	4,383	6,950	5,162			
23,150 23,200	3,873	2,997	4,765	3,583	26,150 26,200	4,686	3,657	5,829	4,336	29,150 29,200	5,586	4,396	6,969	5,176			
23,200 23,250	3,886	3,008	4,782	3,595	26,200 26,250	4,701	3,668	5,848	4,350	29,200 29,250	5,601	4,408	6,988	5,190			
23,250 23,300	3,899	3,019	4,798	3,607	26,250 26,300	4,716	3,679	5,867	4,364	29,250 29,300	5,616	4,421	7,007	5,204			
23,300 23,350	3,912	3,030	4,815	3,619	26,300 26,350	4,731	3,690	5,886	4,378	29,300 29,350	5,631	4,433	7,026	5,218			
23,350 23,400	3,925	3,041	4,831	3,631	26,350 26,400	4,746	3,701	5,905	4,392	29,350 29,400	5,646	4,446	7,045	5,232			
23,400 23,450	3,938	3,052	4,848	3,643	26,400 26,450	4,761	3,712	5,924	4,406	29,400 29,450	5,661	4,458	7,064	5,246			
23,450 23,500	3,951	3,063	4,864	3,655	26,450 26,500	4,776	3,723	5,943	4,420	29,450 29,500	5,676	4,471	7,083	5,260			
23,500 23,550	3,964	3,074	4,881	3,667	26,500 26,550	4,791	3,734	5,962	4,434	29,500 29,550	5,691	4,483	7,102	5,274			
23,550 23,600	3,977	3,085	4,897	3,679	26,550 26,600	4,806	3,746	5,981	4,448	29,550 29,600	5,706	4,496	7,121	5,288			
23,600 23,650	3,990	3,096	4,914	3,691	26,600 26,650	4,821	3,758	6,000	4,462	29,600 29,650	5,721	4,508	7,140	5,302			
23,650 23,700	4,003	3,107	4,930	3,703	26,650 26,700	4,836	3,771	6,019	4,476	29,650 29,700	5,736	4,521	7,159	5,316			
23,700 23,750	4,016	3,118	4,947	3,715	26,700 26,750	4,851	3,783	6,038	4,490	29,700 29,750	5,751	4,533	7,178	5,330			
23,750 23,800	4,029	3,129	4,963	3,727	26,750 26,800	4,866	3,796	6,057	4,504	29,750 29,800	5,766	4,546	7,197	5,344			
23,800 23,850	4,042	3,140	4,980	3,739	26,800 26,850	4,881	3,808	6,076	4,518	29,800 29,850	5,781	4,558	7,216	5,358			
23,850 23,900	4,055	3,151	4,996	3,751	26,850 26,900	4,896	3,821	6,095	4,532	29,850 29,900	5,796	4,571	7,235	5,372			
23,900 23,950	4,068	3,162	5,013	3,763	26,900 26,950	4,911	3,833	6,114	4,546	29,900 29,950	5,811	4,583	7,254	5,386			
23,950 24,000	4,081	3,173	5,029	3,775	26,950 27,000	4,926	3,846	6,133	4,560	29,950 30,000	5,826	4,596	7,273	5,400			
24,000						27,000						30,000					
24,000 24,050	4,094	3,184	5,046	3,787	27,000 27,050	4,941	3,858	6,152	4,574	30,000 30,050	5,841	4,608	7,292	5,414			
24,050 24,100	4,107	3,195	5,062	3,799	27,050 27,100	4,956	3,871	6,171	4,588	30,050 30,100	5,856	4,621	7,311	5,428			
24,100 24,150	4,120	3,206	5,079	3,811	27,100 27,150	4,971	3,883	6,190	4,602	30,100 30,150	5,871	4,633	7,330	5,442			
24,150 24,200	4,133	3,217	5,095	3,823	27,150 27,200	4,986	3,896	6,209	4,616	30,150 30,200	5,886	4,646	7,349	5,456			
24,200 24,250	4,146	3,228	5,112	3,835	27,200 27,250	5,001	3,908	6,228	4,630	30,200 30,250	5,901	4,658	7,368	5,470			
24,250 24,300	4,159	3,239	5,128	3,847	27,250 27,300	5,016	3,921	6,247	4,644	30,250 30,300	5,916	4,671	7,387	5,484			
24,300 24,350	4,172	3,250	5,145	3,859	27,300 27,350	5,031	3,933	6,266	4,658	30,300 30,350	5,931	4,683	7,406	5,498			
24,350 24,400	4,185	3,261	5,161	3,871	27,350 27,400	5,046	3,946	6,285	4,672	30,350 30,400	5,946	4,696	7,425	5,512			
24,400 24,450	4,198	3,272	5,178	3,883	27,400 27,450	5,061	3,958	6,304	4,686	30,400 30,450	5,961	4,708	7,444	5,526			
24,450 24,500	4,211	3,283	5,194	3,895	27,450 27,500	5,076	3,971	6,323	4,700	30,450 30,500	5,976	4,721	7,463	5,540			
24,500 24,550	4,224	3,294	5,211	3,907	27,500 27,550	5,091	3,983	6,342	4,714	30,500 30,550	5,991	4,733	7,482	5,554			
24,550 24,600	4,237	3,305	5,227	3,919	27,550 27,600	5,106	3,996	6,361	4,728	30,550 30,600	6,006	4,746	7,501	5,568			
24,600 24,650	4,250	3,316	5,244	3,931	27,600 27,650	5,121	4,008	6,380	4,742	30,600 30,650	6,021	4,758	7,520	5,582			
24,650 24,700	4,263	3,327	5,260	3,943	27,650 27,700	5,136	4,021	6,399	4,756	30,650 30,700	6,036	4,771	7,539	5,596			
24,700 24,750	4,276	3,338	5,278	3,955	27,700 27,750	5,151	4,033	6,418	4,770	30,700 30,750	6,051	4,783	7,558	5,610			
24,750 24,800	4,289	3,349	5,297	3,967	27,750 27,800	5,166	4,046	6,437	4,784	30,750 30,800	6,066	4,796	7,577	5,624			
24,800 24,850	4,302	3,360	5,316	3,979	27,800 27,850	5,181	4,058	6,456	4,798	30,800 30,850	6,081	4,808	7,596	5,638			
24,850 24,900	4,315	3,371	5,335	3,991	27,850 27,900	5,196	4,071	6,475	4,812	30,850 30,900	6,096	4,821	7,615	5,652			
24,900 24,950	4,328	3,382	5,354	4,003	27,900 27,950	5,211	4,083	6,494	4,826	30,900 30,950	6,111	4,833	7,634	5,666			
24,950 25,000	4,341	3,393	5,373	4,015	27,950 28,000	5,226	4,096	6,513	4,840	30,950 31,000	6,126	4,846	7,653	5,680			
25,000						28,000						31,000					
25,000 25,050	4,354	3,404	5,392	4,027	28,000 28,050	5,241	4,108	6,532	4,854	31,000 31,050	6,141	4,858	7,672	5,694			
25,050 25,100	4,367	3,415	5,411	4,039	28,050 28,100	5,256	4,121	6,551	4,868	31,050 31,100	6,156	4,871	7,691	5,708			
25,100 25,150	4,380	3,426	5,430	4,051	28,100 28,150	5,271	4,133	6,570	4,882	31,100 31,150	6,172	4,883	7,710	5,724			
25,150 25,200	4,393	3,437	5,449	4,063	28,150 28,200	5,286	4,146	6,589	4,896	31,150 31,200	6,189	4,896	7,729	5,740			
25,200 25,250	4,406	3,448	5,468	4,075	28,200 28,250	5,301	4,158	6,608	4,910	31,200 31,250	6,206	4,908	7,748	5,756			
25,250 25,300	4,419	3,459	5,487	4,087	28,250 28,300	5,316	4,171	6,627	4,924	31,250 31,300	6,223	4,921	7,767	5,772			
25,300 25,350	4,432	3,470	5,506	4,099	28,300 28,350	5,331	4,183	6,646	4,938	31,300 31,350	6,240	4,933	7,786	5,788			
25,350 25,400	4,446	3,481	5,525	4,112	28,350 28,400	5,346	4,196	6,665	4,952	31,350 31,400	6,257	4,946	7,805	5,804			
25,400 25,450	4,461	3,492	5,544	4,126	28,400 28,450	5,361	4,208	6,684	4,966	31,400 31,450	6,274	4,958	7,824	5,820			
25,450 25,500	4,476	3,503	5,563	4,140	28,450 28,500	5,376	4,221	6,703	4,980	31,450 31,500	6,291	4,971	7,843	5,836			
25,500 25,550	4,491	3,514	5,582	4,154	28,500 28,550	5,391	4,233	6,722	4,994	31,500 31,550	6,308	4,983	7,862	5,852			
25,550 25,600	4,506	3,525	5,601	4,168	28,550 28,600	5,406	4,246	6,741	5,008	31,550 31,600	6,325	4,996	7,881	5,868			
25,600 25,650	4,521	3,536	5,620	4,182	28,600 28,650	5,421	4,258	6,760	5,022	31,600 31,650	6,342	5,008	7,900	5,884			
25,650 25,700	4,536	3,547	5,639	4,196	28,650 28,700	5,436	4,271	6,779	5,036	31,650 31,700	6,359	5,021	7,919	5,900			
25,700 25,750	4,551	3,558	5,658	4,210	28,700 28,750	5,451	4,283	6,798	5,050	31,700 31,750	6,376	5,033	7,938	5,916			
25,750 25,800	4,566	3,569	5,677	4,224	28,750 28,800	5,466	4,296	6,817	5,064	31,750 31,800	6,393	5,046	7,957	5,932			
25,800 25,850	4,581	3,580	5,696	4,238	28,800 28,850	5,481	4,308	6,836	5,078	31,800 31,850	6,410	5,058	7,976	5,948			
25,850 25,900	4,596	3,591	5,715	4,252	28,850 28,900	5,496	4,321	6,855	5,092	31,850 31,900	6,427	5,071	7,995	5,964			
25,900 25,950	4,611	3,602	5,734	4,266	28,900 28,950	5,511	4,333	6,874	5,106	31,900 31,950	6,444	5,083	8,014	5,980			
25,950 26,000	4,626	3,613	5,753	4,280	28,950 29,000	5,526											

1986 Tax Table—Continued

If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
32,000						35,000						38,000					
32,000	32,050	6,478	5,108	8,052	6,012	35,000	35,050	7,498	5,941	9,298	6,972	38,000	38,050	8,567	6,783	10,558	7,968
32,050	32,100	6,495	5,121	8,071	6,028	35,050	35,100	7,515	5,955	9,319	6,988	38,050	38,100	8,586	6,800	10,579	7,986
32,100	32,150	6,512	5,133	8,090	6,044	35,100	35,150	7,532	5,969	9,340	7,004	38,100	38,150	8,605	6,816	10,600	8,003
32,150	32,200	6,529	5,146	8,109	6,060	35,150	35,200	7,549	5,983	9,361	7,020	38,150	38,200	8,624	6,833	10,621	8,021
32,200	32,250	6,546	5,158	8,128	6,076	35,200	35,250	7,566	5,997	9,382	7,036	38,200	38,250	8,643	6,849	10,642	8,038
32,250	32,300	6,563	5,171	8,147	6,092	35,250	35,300	7,583	6,011	9,403	7,052	38,250	38,300	8,662	6,866	10,663	8,056
32,300	32,350	6,580	5,185	8,166	6,108	35,300	35,350	7,600	6,025	9,424	7,068	38,300	38,350	8,681	6,882	10,684	8,073
32,350	32,400	6,597	5,199	8,185	6,124	35,350	35,400	7,617	6,039	9,445	7,084	38,350	38,400	8,700	6,899	10,705	8,091
32,400	32,450	6,614	5,213	8,206	6,140	35,400	35,450	7,634	6,053	9,466	7,100	38,400	38,450	8,719	6,915	10,726	8,108
32,450	32,500	6,631	5,227	8,227	6,156	35,450	35,500	7,651	6,067	9,487	7,116	38,450	38,500	8,738	6,932	10,747	8,126
32,500	32,550	6,648	5,241	8,248	6,172	35,500	35,550	7,668	6,081	9,508	7,132	38,500	38,550	8,757	6,948	10,768	8,143
32,550	32,600	6,665	5,255	8,269	6,188	35,550	35,600	7,685	6,095	9,529	7,148	38,550	38,600	8,776	6,965	10,789	8,161
32,600	32,650	6,682	5,269	8,290	6,204	35,600	35,650	7,702	6,109	9,550	7,164	38,600	38,650	8,795	6,981	10,810	8,178
32,650	32,700	6,699	5,283	8,311	6,220	35,650	35,700	7,719	6,123	9,571	7,180	38,650	38,700	8,814	6,998	10,831	8,196
32,700	32,750	6,716	5,297	8,332	6,236	35,700	35,750	7,736	6,137	9,592	7,196	38,700	38,750	8,833	7,014	10,852	8,213
32,750	32,800	6,733	5,311	8,353	6,252	35,750	35,800	7,753	6,151	9,613	7,212	38,750	38,800	8,852	7,031	10,873	8,231
32,800	32,850	6,750	5,325	8,374	6,268	35,800	35,850	7,770	6,165	9,634	7,228	38,800	38,850	8,871	7,047	10,894	8,248
32,850	32,900	6,767	5,339	8,395	6,284	35,850	35,900	7,787	6,179	9,655	7,244	38,850	38,900	8,890	7,064	10,915	8,266
32,900	32,950	6,784	5,353	8,416	6,300	35,900	35,950	7,804	6,193	9,676	7,260	38,900	38,950	8,909	7,080	10,936	8,283
32,950	33,000	6,801	5,367	8,437	6,316	35,950	36,000	7,821	6,207	9,697	7,276	38,950	39,000	8,928	7,097	10,957	8,301
33,000						36,000						39,000					
33,000	33,050	6,818	5,381	8,458	6,332	36,000	36,050	7,838	6,221	9,718	7,292	39,000	39,050	8,947	7,113	10,978	8,318
33,050	33,100	6,835	5,395	8,479	6,348	36,050	36,100	7,855	6,235	9,739	7,308	39,050	39,100	8,966	7,130	10,999	8,336
33,100	33,150	6,852	5,409	8,500	6,364	36,100	36,150	7,872	6,249	9,760	7,324	39,100	39,150	8,985	7,146	11,020	8,353
33,150	33,200	6,869	5,423	8,521	6,380	36,150	36,200	7,889	6,263	9,781	7,340	39,150	39,200	9,004	7,163	11,041	8,371
33,200	33,250	6,886	5,437	8,542	6,396	36,200	36,250	7,906	6,277	9,802	7,356	39,200	39,250	9,023	7,179	11,062	8,388
33,250	33,300	6,903	5,451	8,563	6,412	36,250	36,300	7,923	6,291	9,823	7,372	39,250	39,300	9,042	7,196	11,083	8,406
33,300	33,350	6,920	5,465	8,584	6,428	36,300	36,350	7,940	6,305	9,844	7,388	39,300	39,350	9,061	7,212	11,104	8,423
33,350	33,400	6,937	5,479	8,605	6,444	36,350	36,400	7,957	6,319	9,865	7,404	39,350	39,400	9,080	7,229	11,125	8,441
33,400	33,450	6,954	5,493	8,626	6,460	36,400	36,450	7,974	6,333	9,886	7,420	39,400	39,450	9,099	7,245	11,146	8,458
33,450	33,500	6,971	5,507	8,647	6,476	36,450	36,500	7,991	6,347	9,907	7,436	39,450	39,500	9,118	7,262	11,167	8,476
33,500	33,550	6,988	5,521	8,668	6,492	36,500	36,550	8,008	6,361	9,928	7,452	39,500	39,550	9,137	7,278	11,188	8,493
33,550	33,600	7,005	5,535	8,689	6,508	36,550	36,600	8,025	6,375	9,949	7,468	39,550	39,600	9,156	7,295	11,209	8,511
33,600	33,650	7,022	5,549	8,710	6,524	36,600	36,650	8,042	6,389	9,970	7,484	39,600	39,650	9,175	7,311	11,230	8,528
33,650	33,700	7,039	5,563	8,731	6,540	36,650	36,700	8,059	6,403	9,991	7,500	39,650	39,700	9,194	7,328	11,251	8,546
33,700	33,750	7,056	5,577	8,752	6,556	36,700	36,750	8,076	6,417	10,012	7,516	39,700	39,750	9,213	7,344	11,272	8,563
33,750	33,800	7,073	5,591	8,773	6,572	36,750	36,800	8,093	6,431	10,033	7,532	39,750	39,800	9,232	7,361	11,293	8,581
33,800	33,850	7,090	5,605	8,794	6,588	36,800	36,850	8,111	6,445	10,054	7,548	39,800	39,850	9,251	7,377	11,314	8,598
33,850	33,900	7,107	5,619	8,815	6,604	36,850	36,900	8,130	6,459	10,075	7,566	39,850	39,900	9,270	7,394	11,335	8,616
33,900	33,950	7,124	5,633	8,836	6,620	36,900	36,950	8,149	6,473	10,096	7,583	39,900	39,950	9,289	7,410	11,356	8,633
33,950	34,000	7,141	5,647	8,857	6,636	36,950	37,000	8,168	6,487	10,117	7,601	39,950	40,000	9,308	7,427	11,377	8,651
34,000						37,000						40,000					
34,000	34,050	7,158	5,661	8,878	6,652	37,000	37,050	8,187	6,501	10,138	7,618	40,000	40,050	9,327	7,443	11,398	8,668
34,050	34,100	7,175	5,675	8,899	6,668	37,050	37,100	8,206	6,515	10,159	7,636	40,050	40,100	9,346	7,460	11,419	8,686
34,100	34,150	7,192	5,689	8,920	6,684	37,100	37,150	8,225	6,529	10,180	7,653	40,100	40,150	9,365	7,476	11,440	8,703
34,150	34,200	7,209	5,703	8,941	6,700	37,150	37,200	8,244	6,543	10,201	7,671	40,150	40,200	9,384	7,493	11,461	8,721
34,200	34,250	7,226	5,717	8,962	6,716	37,200	37,250	8,263	6,557	10,222	7,688	40,200	40,250	9,403	7,509	11,482	8,738
34,250	34,300	7,243	5,731	8,983	6,732	37,250	37,300	8,282	6,571	10,243	7,706	40,250	40,300	9,422	7,526	11,503	8,756
34,300	34,350	7,260	5,745	9,004	6,748	37,300	37,350	8,301	6,585	10,264	7,723	40,300	40,350	9,441	7,542	11,524	8,773
34,350	34,400	7,277	5,759	9,025	6,764	37,350	37,400	8,320	6,599	10,285	7,741	40,350	40,400	9,460	7,559	11,545	8,791
34,400	34,450	7,294	5,773	9,046	6,780	37,400	37,450	8,339	6,613	10,306	7,758	40,400	40,450	9,479	7,575	11,566	8,808
34,450	34,500	7,311	5,787	9,067	6,796	37,450	37,500	8,358	6,627	10,327	7,776	40,450	40,500	9,498	7,592	11,587	8,826
34,500	34,550	7,328	5,801	9,088	6,812	37,500	37,550	8,377	6,641	10,348	7,793	40,500	40,550	9,517	7,608	11,608	8,843
34,550	34,600	7,345	5,815	9,109	6,828	37,550	37,600	8,396	6,655	10,369	7,811	40,550	40,600	9,536	7,625	11,629	8,861
34,600	34,650	7,362	5,829	9,130	6,844	37,600	37,650	8,415	6,669	10,390	7,828	40,600	40,650	9,555	7,641	11,650	8,878
34,650	34,700	7,379	5,843	9,151	6,860	37,650	37,700	8,434	6,683	10,411	7,846	40,650	40,700	9,574	7,658	11,671	8,896
34,700	34,750	7,396	5,857	9,172	6,876	37,700	37,750	8,453	6,697	10,432	7,863	40,700	40,750	9,593	7,674	11,692	8,913
34,750	34,800	7,413	5,871	9,193	6,892	37,750	37,800	8,472	6,711	10,453	7,881	40,750	40,800	9,612	7,691	11,713	8,931
34,800	34,850	7,430	5,885	9,214	6,908	37,800	37,850	8,491	6,725	10,474	7,898	40,800	40,850	9,631	7,707	11,734	8,948
34,850	34,900	7,447	5,899	9,235	6,924	37,850	37,900	8,510	6,739	10,495	7,916	40,850	40,900	9,650	7,724	11,755	8,966
34,900	34,950	7,464	5,913	9,256	6,940	37,900	37,950	8,529	6,753	10,516	7,933	40,900	40,950	9,669	7,740	11,776	8,983
34,950	35,000	7,481	5,927	9,277	6,956	37,950	38,000	8,548	6,767	10,537	7,951	40,950	41,000	9,688	7,757	11,797	9,001

* This column must also be used by a qualifying widow(er).

Continued on next page

1986 Tax Table—Continued

If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
Your tax is—		Your tax is—				Your tax is—				Your tax is—				Your tax is—			
41,000						44,000						47,000					
41,000	41,050	9,707	7,773	11,818	9,018	44,000	44,050	10,847	8,763	13,078	10,068	47,000	47,050	12,077	9,753	14,363	11,118
41,050	41,100	9,726	7,790	11,839	9,036	44,050	44,100	10,866	8,780	13,099	10,086	47,050	47,100	12,098	9,770	14,385	11,136
41,100	41,150	9,745	7,806	11,860	9,053	44,100	44,150	10,885	8,796	13,120	10,103	47,100	47,150	12,119	9,786	14,408	11,153
41,150	41,200	9,764	7,823	11,881	9,071	44,150	44,200	10,904	8,813	13,141	10,121	47,150	47,200	12,140	9,803	14,430	11,171
41,200	41,250	9,783	7,839	11,902	9,088	44,200	44,250	10,923	8,829	13,162	10,138	47,200	47,250	12,161	9,819	14,453	11,188
41,250	41,300	9,802	7,856	11,923	9,106	44,250	44,300	10,942	8,846	13,183	10,156	47,250	47,300	12,182	9,836	14,475	11,206
41,300	41,350	9,821	7,872	11,944	9,123	44,300	44,350	10,961	8,862	13,204	10,173	47,300	47,350	12,203	9,852	14,498	11,223
41,350	41,400	9,840	7,889	11,965	9,141	44,350	44,400	10,980	8,879	13,225	10,191	47,350	47,400	12,224	9,869	14,520	11,241
41,400	41,450	9,859	7,905	11,986	9,158	44,400	44,450	10,999	8,895	13,246	10,208	47,400	47,450	12,245	9,885	14,543	11,258
41,450	41,500	9,878	7,922	12,007	9,176	44,450	44,500	11,018	8,912	13,267	10,226	47,450	47,500	12,266	9,902	14,565	11,276
41,500	41,550	9,897	7,938	12,028	9,193	44,500	44,550	11,037	8,928	13,288	10,243	47,500	47,550	12,287	9,918	14,588	11,293
41,550	41,600	9,916	7,955	12,049	9,211	44,550	44,600	11,056	8,945	13,309	10,261	47,550	47,600	12,308	9,935	14,610	11,311
41,600	41,650	9,935	7,971	12,070	9,228	44,600	44,650	11,075	8,961	13,330	10,278	47,600	47,650	12,329	9,951	14,633	11,328
41,650	41,700	9,954	7,988	12,091	9,246	44,650	44,700	11,094	8,978	13,351	10,296	47,650	47,700	12,350	9,968	14,655	11,346
41,700	41,750	9,973	8,004	12,112	9,263	44,700	44,750	11,113	8,994	13,372	10,313	47,700	47,750	12,371	9,984	14,678	11,363
41,750	41,800	9,992	8,021	12,133	9,281	44,750	44,800	11,132	9,011	13,393	10,331	47,750	47,800	12,392	10,001	14,700	11,381
41,800	41,850	10,011	8,037	12,154	9,298	44,800	44,850	11,153	9,027	13,414	10,348	47,800	47,850	12,413	10,017	14,723	11,398
41,850	41,900	10,030	8,054	12,175	9,316	44,850	44,900	11,174	9,044	13,435	10,366	47,850	47,900	12,434	10,034	14,745	11,416
41,900	41,950	10,049	8,070	12,196	9,333	44,900	44,950	11,195	9,060	13,456	10,383	47,900	47,950	12,455	10,050	14,768	11,433
41,950	42,000	10,068	8,087	12,217	9,351	44,950	45,000	11,216	9,077	13,477	10,401	47,950	48,000	12,476	10,067	14,790	11,451
42,000						45,000						48,000					
42,000	42,050	10,087	8,103	12,238	9,368	45,000	45,050	11,237	9,093	13,498	10,418	48,000	48,050	12,497	10,083	14,813	11,468
42,050	42,100	10,106	8,120	12,259	9,386	45,050	45,100	11,258	9,110	13,519	10,436	48,050	48,100	12,518	10,100	14,835	11,486
42,100	42,150	10,125	8,136	12,280	9,403	45,100	45,150	11,279	9,126	13,540	10,453	48,100	48,150	12,539	10,116	14,858	11,503
42,150	42,200	10,144	8,153	12,301	9,421	45,150	45,200	11,300	9,143	13,561	10,471	48,150	48,200	12,560	10,133	14,880	11,521
42,200	42,250	10,163	8,169	12,322	9,438	45,200	45,250	11,321	9,159	13,582	10,488	48,200	48,250	12,581	10,149	14,903	11,538
42,250	42,300	10,182	8,186	12,343	9,456	45,250	45,300	11,342	9,176	13,603	10,506	48,250	48,300	12,602	10,166	14,925	11,558
42,300	42,350	10,201	8,202	12,364	9,473	45,300	45,350	11,363	9,192	13,624	10,523	48,300	48,350	12,623	10,182	14,948	11,579
42,350	42,400	10,220	8,219	12,385	9,491	45,350	45,400	11,384	9,209	13,645	10,541	48,350	48,400	12,644	10,199	14,970	11,600
42,400	42,450	10,239	8,235	12,406	9,508	45,400	45,450	11,405	9,225	13,666	10,558	48,400	48,450	12,665	10,215	14,993	11,621
42,450	42,500	10,258	8,252	12,427	9,526	45,450	45,500	11,426	9,242	13,687	10,576	48,450	48,500	12,686	10,232	15,015	11,642
42,500	42,550	10,277	8,268	12,448	9,543	45,500	45,550	11,447	9,258	13,708	10,593	48,500	48,550	12,707	10,248	15,038	11,663
42,550	42,600	10,296	8,285	12,469	9,561	45,550	45,600	11,468	9,275	13,729	10,611	48,550	48,600	12,728	10,265	15,060	11,684
42,600	42,650	10,315	8,301	12,490	9,578	45,600	45,650	11,489	9,291	13,750	10,628	48,600	48,650	12,749	10,281	15,083	11,705
42,650	42,700	10,334	8,318	12,511	9,596	45,650	45,700	11,510	9,308	13,771	10,646	48,650	48,700	12,770	10,298	15,105	11,726
42,700	42,750	10,353	8,334	12,532	9,613	45,700	45,750	11,531	9,324	13,792	10,663	48,700	48,750	12,791	10,314	15,128	11,747
42,750	42,800	10,372	8,351	12,553	9,631	45,750	45,800	11,552	9,341	13,813	10,681	48,750	48,800	12,812	10,331	15,150	11,768
42,800	42,850	10,391	8,367	12,574	9,648	45,800	45,850	11,573	9,357	13,834	10,698	48,800	48,850	12,833	10,347	15,173	11,789
42,850	42,900	10,410	8,384	12,595	9,666	45,850	45,900	11,594	9,374	13,855	10,716	48,850	48,900	12,854	10,364	15,195	11,810
42,900	42,950	10,429	8,400	12,616	9,683	45,900	45,950	11,615	9,390	13,876	10,733	48,900	48,950	12,875	10,380	15,218	11,831
42,950	43,000	10,448	8,417	12,637	9,701	45,950	46,000	11,636	9,407	13,897	10,751	48,950	49,000	12,896	10,397	15,240	11,852
43,000						46,000						49,000					
43,000	43,050	10,467	8,433	12,658	9,718	46,000	46,050	11,657	9,423	13,918	10,768	49,000	49,050	12,917	10,413	15,263	11,873
43,050	43,100	10,486	8,450	12,679	9,736	46,050	46,100	11,678	9,440	13,939	10,786	49,050	49,100	12,938	10,430	15,285	11,894
43,100	43,150	10,505	8,466	12,700	9,753	46,100	46,150	11,699	9,456	13,960	10,803	49,100	49,150	12,959	10,446	15,308	11,915
43,150	43,200	10,524	8,483	12,721	9,771	46,150	46,200	11,720	9,473	13,981	10,821	49,150	49,200	12,980	10,463	15,330	11,936
43,200	43,250	10,543	8,499	12,742	9,788	46,200	46,250	11,741	9,489	14,003	10,838	49,200	49,250	13,001	10,479	15,353	11,957
43,250	43,300	10,562	8,516	12,763	9,806	46,250	46,300	11,762	9,506	14,025	10,856	49,250	49,300	13,022	10,496	15,375	11,978
43,300	43,350	10,581	8,532	12,784	9,823	46,300	46,350	11,783	9,522	14,048	10,873	49,300	49,350	13,043	10,512	15,398	11,999
43,350	43,400	10,600	8,549	12,805	9,841	46,350	46,400	11,804	9,539	14,070	10,891	49,350	49,400	13,064	10,529	15,420	12,020
43,400	43,450	10,619	8,565	12,826	9,858	46,400	46,450	11,825	9,555	14,093	10,908	49,400	49,450	13,085	10,546	15,443	12,041
43,450	43,500	10,638	8,582	12,847	9,876	46,450	46,500	11,846	9,572	14,115	10,926	49,450	49,500	13,106	10,563	15,465	12,062
43,500	43,550	10,657	8,598	12,868	9,893	46,500	46,550	11,867	9,588	14,138	10,943	49,500	49,550	13,127	10,580	15,488	12,083
43,550	43,600	10,676	8,615	12,889	9,911	46,550	46,600	11,888	9,605	14,160	10,961	49,550	49,600	13,148	10,603	15,510	12,104
43,600	43,650	10,695	8,631	12,910	9,928	46,600	46,650	11,909	9,621	14,183	10,978	49,600	49,650	13,169	10,622	15,533	12,125
43,650	43,700	10,714	8,648	12,931	9,946	46,650	46,700	11,930	9,638	14,205	10,996	49,650	49,700	13,190	10,641	15,555	12,146
43,700	43,750	10,733	8,664	12,952	9,963	46,700	46,750	11,951	9,654	14,228	11,013	49,700	49,750	13,211	10,660	15,578	12,167
43,750	43,800	10,752	8,681	12,973	9,981	46,750	46,800	11,972	9,671	14,250	11,031	49,750	49,800	13,232	10,679	15,600	12,188
43,800	43,850	10,771	8,697	12,994	9,998	46,800	46,850	11,993	9,687	14,273	11,048	49,800	49,850	13,253	10,698	15,623	12,209

1986 Tax Rate Schedules Your zero bracket amount has been built into these Tax Rate Schedules.

Caution: You may use these schedules **ONLY** if your taxable income is \$50,000 or more OR you use **Schedule G** to figure your tax.

Example: Mr. Jones is single. His taxable income on Form 1040, line 37, is \$55,525. First, he finds the schedule

(Schedule X) for single taxpayers. Next, he finds the \$44,780-59,670 income line. Then, he subtracts \$44,780 from \$55,525 and multiplies the result (\$10,745) by 42%. He then adds \$4,512.90 (\$10,745 x .42) to \$11,134.20 and enters the result (\$15,647.10) on Form 1040, line 38.

Schedule X—Single Taxpayers

Use this schedule if you checked **Filing Status Box 1** on Form 1040—

If the amount on Form 1040, line 37 is:	But not over—	Enter on Form 1040, line 38	of the amount over—
Over—			
\$0	\$2,480	—0—	
2,480	3,670	.....11%	\$2,480
3,670	4,750	\$130.90 + 12%	3,670
4,750	7,010	260.50 + 14%	4,750
7,010	9,170	576.90 + 15%	7,010
9,170	11,650	900.90 + 16%	9,170
11,650	13,920	1,297.70 + 18%	11,650
13,920	16,190	1,706.30 + 20%	13,920
16,190	19,640	2,160.30 + 23%	16,190
19,640	25,360	2,953.80 + 26%	19,640
25,360	31,080	4,441.00 + 30%	25,360
31,080	36,800	6,157.00 + 34%	31,080
36,800	44,780	8,101.80 + 38%	36,800
44,780	59,670	11,134.20 + 42%	44,780
59,670	88,270	17,388.00 + 48%	59,670
88,270	.....	31,116.00 + 50%	88,270

Schedule Z—Heads of Household

(including certain married persons who live apart—see page 5 of the instructions)

Use this schedule if you checked **Filing Status Box 4** on Form 1040—

If the amount on Form 1040, line 37 is:	But not over—	Enter on Form 1040, line 38	of the amount over—
Over—			
\$0	\$2,480	—0—	
2,480	4,750	.....11%	\$2,480
4,750	7,010	\$249.70 + 12%	4,750
7,010	9,390	520.90 + 14%	7,010
9,390	12,730	854.10 + 17%	9,390
12,730	16,190	1,421.90 + 18%	12,730
16,190	19,640	2,044.70 + 20%	16,190
19,640	25,360	2,734.70 + 24%	19,640
25,360	31,080	4,107.50 + 28%	25,360
31,080	36,800	5,709.10 + 32%	31,080
36,800	48,240	7,539.50 + 35%	36,800
48,240	65,390	11,543.50 + 42%	48,240
65,390	88,270	18,746.50 + 45%	65,390
88,270	116,870	29,042.50 + 48%	88,270
116,870	.....	42,770.50 + 50%	116,870

Schedule Y—Married Taxpayers and Qualifying Widows and Widowers

Married Filing Joint Returns and Qualifying Widows and Widowers

Use this schedule if you checked **Filing Status Box 2 or 5** on Form 1040—

If the amount on Form 1040, line 37 is:	But not over—	Enter on Form 1040, line 38	of the amount over—
Over—			
\$0	\$3,670	—0—	
3,670	5,940	.....11%	\$3,670
5,940	8,200	\$249.70 + 12%	5,940
8,200	12,840	520.90 + 14%	8,200
12,840	17,270	1,170.50 + 16%	12,840
17,270	21,800	1,879.30 + 18%	17,270
21,800	26,550	2,694.70 + 22%	21,800
26,550	32,270	3,739.70 + 25%	26,550
32,270	37,980	5,169.70 + 28%	32,270
37,980	49,420	6,768.50 + 33%	37,980
49,420	64,750	10,543.70 + 38%	49,420
64,750	92,370	16,369.10 + 42%	64,750
92,370	118,050	27,969.50 + 45%	92,370
118,050	175,250	39,525.50 + 49%	118,050
175,250	.....	67,553.50 + 50%	175,250

Married Filing Separate Returns

Use this schedule if you checked **Filing Status Box 3** on Form 1040—

If the amount on Form 1040, line 37 is:	But not over—	Enter on Form 1040, line 38	of the amount over—
Over—			
\$0	\$1,835	—0—	
1,835	2,970	.....11%	\$1,835
2,970	4,100	\$124.85 + 12%	2,970
4,100	6,420	260.45 + 14%	4,100
6,420	8,635	585.25 + 16%	6,420
8,635	10,900	939.65 + 18%	8,635
10,900	13,275	1,347.35 + 22%	10,900
13,275	16,135	1,869.85 + 25%	13,275
16,135	18,990	2,584.85 + 28%	16,135
18,990	24,710	3,384.25 + 33%	18,990
24,710	32,375	5,271.85 + 38%	24,710
32,375	46,185	8,184.55 + 42%	32,375
46,185	59,025	13,984.75 + 45%	46,185
59,025	87,625	19,762.75 + 49%	59,025
87,625	.....	33,776.75 + 50%	87,625

1986 Optional State Sales Tax Tables

If you kept records that show you paid more sales tax than the table for your state indicates, you may claim the higher amount on Schedule A, line 8a.

Your itemized deduction for general sales tax paid can be estimated from these tables plus any qualifying sales taxes paid on the items listed on page 20.

To use the tables:

Step 1—Figure your total available income. Use the total of the amount on Form 1040, line 33, and nontaxable income such as veterans' benefits, workers' compensation, nontaxable part of unemployment compensation or long-term capital gains (however, do not include gains that are nontaxable because they were

reinvested in similar property, such as a principal residence), nontaxable part of social security and railroad retirement benefits, dividend exclusion, deduction for a married couple when both work, and public assistance payments.

Step 2—Count the number of exemptions for you and your family. Do not count exemptions claimed for being 65 or over or blind as part of your family size.

Step 3—Find the income line for your state on the tables and read across to find the amount of sales tax for your family size.

Income At least	Family size					Family size					Family size					Family size					Family size															
	Over					Over					Over					Over					Over					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	1	2	3	4	5	1	2	3	4	5	
Alabama ¹	Arizona ²					Arkansas ¹					California ³					Colorado ²					Connecticut ⁴															
\$0 \$10,000	128	153	171	184	195	211	143	158	167	174	179	187	151	181	201	217	230	249	167	187	200	210	218	229	43	50	55	58	61	66	141	146	150	153	154	157
10,000 15,000	156	187	208	224	238	258	178	196	208	216	223	233	184	220	244	263	279	302	206	232	248	260	270	284	55	64	70	74	78	83	179	186	191	194	197	200
15,000 20,000	191	229	255	275	292	316	223	245	260	270	279	291	224	268	298	321	340	368	257	288	308	324	336	353	71	82	90	95	100	107	229	239	244	249	252	256
20,000 25,000	223	267	297	320	339	368	263	290	306	319	329	343	260	311	345	372	394	427	303	340	363	381	396	416	85	99	108	115	120	128	276	287	294	299	303	308
25,000 30,000	251	301	335	361	383	415	300	331	350	364	376	392	293	350	389	419	444	480	345	387	414	434	451	474	98	114	125	133	139	149	320	333	341	347	351	357
30,000 35,000	278	334	371	400	424	460	336	370	391	407	420	438	323	386	429	462	490	530	385	432	462	484	503	529	111	129	141	150	157	168	362	376	385	392	397	404
35,000 40,000	303	364	404	436	462	501	369	406	430	447	461	482	351	420	467	503	533	577	422	474	507	532	552	581	124	143	157	167	175	187	402	418	428	435	441	449
40,000 45,000	327	392	436	470	499	541	401	441	467	486	501	523	378	453	503	541	574	621	458	514	550	577	599	630	135	157	172	183	192	205	440	458	469	477	483	492
45,000 50,000	350	420	467	503	534	578	431	475	503	523	540	563	404	483	537	578	612	663	474	533	571	602	643	677	147	171	186	198	208	222	478	497	509	518	525	534
50,000 60,000	382	459	510	550	583	632	475	523	554	576	595	621	440	527	585	630	668	723	542	608	650	682	708	745	164	190	207	221	231	247	532	554	567	577	584	595
60,000 70,000	423	507	564	608	645	699	531	585	619	644	664	693	486	581	646	696	737	798	604	678	725	761	789	831	185	215	234	249	262	279	602	626	641	652	660	672
70,000 80,000	461	553	615	663	703	762	584	643	680	708	730	762	529	633	703	757	802	868	663	744	796	835	866	912	205	238	260	277	290	310	668	696	712	724	734	747
80,000 90,000	498	597	664	716	759	822	634	698	739	769	793	828	569	681	757	815	863	935	720	807	864	906	940	989	225	261	285	303	318	340	733	763	781	794	804	819
90,000 100,000	532	638	710	765	812	880	682	752	795	828	854	891	608	727	808	870	922	998	774	868	928	974	1011	1064	244	284	309	329	345	369	795	828	847	862	873	889
100,000 or more	566	678	754	813	862	935	729	803	850	884	912	952	645	772	857	923	978	1059	826	926	991	1039	1079	1135	263	305	333	354	372	397	856	891	912	927	939	956
District of Columbia	Florida ¹					Georgia ¹					Hawaii					Idaho					Illinois ⁵															
\$0 \$10,000	125	147	162	174	183	197	157	174	184	192	198	207	130	158	176	191	203	221	230	258	277	291	302	318	149	179	200	216	230	250	180	204	220	232	242	256
10,000 15,000	155	183	201	215	227	244	197	217	230	240	248	259	156	189	212	229	244	265	274	308	330	347	360	379	182	219	244	264	280	304	221	251	270	285	297	314
15,000 20,000	193	227	250	268	283	304	247	273	289	301	311	325	188	228	255	276	294	320	328	369	396	415	432	455	223	268	299	323	343	373	272	309	333	351	366	387
20,000 25,000	227	268	295	316	333	358	293	324	343	357	369	385	217	263	294	318	338	368	376	423	453	475	494	520	259	312	348	377	400	434	318	362	390	411	428	453
25,000 30,000	259	306	337	360	380	409	336	371	393	409	423	442	242	292	328	356	378	412	419	471	504	530	550	580	293	353	393	425	451	490	361	410	442	466	485	514
30,000 35,000	289	341	375	402	424	456	376	415	440	459	473	495	266	324	360	390	415	452	458	515	552	579	602	634	324	390	435	470	499	543	400	455	490	517	539	570
35,000 40,000	318	374	412	441	465	500	415	458	485	505	522	545	288	349	390	423	450	489	494	556	596	626	650	685	353	426	475	513	545	592	438	497	536	565	589	623
40,000 45,000	345	406	447	479	505	543	451	498	528	550	568	593	309	374	419	453	495	529	529	595	637	669	695	732	381	459	512	553	588	638	473	538	580	611	637	674
45,000 50,000	371	437	481	515	543	584	487	537	569	593	612	640	329	398	445	482	513	558	561	631	676	710	738	777	407	491	548	592	628	683	507	577	621	655	683	722
50,000 60,000	408	481	529	567	598	643	538	594	629	655	677	707	357	432	483	523	557	606	607	683	732	768	798	841	445	536	598	647	687	746	556	632	681	718	748	792
60,000 70,000	455	536	590	632	666	717	602	665	704	734	758	792	392	474	530	574	611	665	664	747	800	841	873	920	492	594	662	715	760	825	617	701	756	797	830	879
70,000 80,000	499	589	648	694	732	787	664	733	776	809	835	873	424	514	574	622	662	720	717	807	864	908	943	993	537	648	722	800	828	900	675	767	826	871	908	961
80,000 90,000	542	639	703	753	794	854	723	798	845	881	909	950	455	551	616	667	709	772	767	863	925	971	1008	1062	579	698	772	841	894	971	729	829	893	942	981	1039
90,000 100,000	583	687	756	810	854	919	779	860	911	950	980	1024	484	586	655	710	755	822	814	916	981	1031	1070	1128	620	747	833	900	956	1038	782	888	957	1009	1052	1113
100,000 or more	622	733	808	865	912	981	834	921	975	1016	1049	1096	512	620	693	750	798	869	859	967	1036	1087	1129	1190	658	793	885	956	1015	1103	832	946	1019	1074	1120	1185
Indiana	Iowa ¹					Kansas ¹					Kentucky					Louisiana ⁶					Maine ⁷															
\$0 \$10,000	169	191	206	217	225	238	134	147	155	161	166	173	118	142	158	171	182	197	118	127	132	136	139	144	105	113	117	121	124	128	117	127	133	137	141	146
10,000 15,000	208	236	253	267	277	293	167	183	193	201	207	215	145	175	195	211	224	243	150	161	168	173	177	182	133	143	149	154	158	163	148	160	168	174	178	185
15,000 20,000	258	291	313	330	343	362	209	229	242	251	259	270	180	217	242	261	278	302	191	205	214	220	226	233	171	183	191	197	202	209	188	204	213	221	226	235
20,000 25,000	302	342	367	387	402	425	248	271	286	298	306	319	211	255	284	307	326	354	229	246	257	264	271	279	205	221	230	237	243	251	225	244	255	264	271	281
25,000 30,000	343	388	417	439	457	482	283	311	328	340	351	365	240	289	323	349	370	402	265	285	297	306	313	323	238	256	267	275	282	291	260	281	295	305	313	324
30,000 35,000	381	431	463	488	507	536	317	347	367	381	392	409	267	322	359	388	412	448	299	321	335	345	353	364	269	289	302	311	318	329	292	317	332	343	352	365
35,000 40,000	417	472	507	534	556	587																														

1986 Optional State Sales Tax Tables—Continued

Income At least	But less than	Family size					Family size					Family size					Family size					Family size					Family size										
		Over					Over					Over					Over					Over					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	1	2	3	4	5						
\$0	\$10,000	102	112	119	125	129	135	122	132	138	142	145	150	106	110	112	113	114	116	196	232	255	274	288	310	124	136	143	148	153	159	158	191	213	231	245	267
10,000	15,000	126	140	148	155	160	167	156	168	176	181	185	192	138	142	145	147	149	151	240	283	312	334	352	379	156	170	179	186	192	200	190	230	257	278	296	322
15,000	20,000	157	174	185	193	199	209	201	216	226	233	238	246	180	186	190	192	194	197	295	348	383	410	433	466	196	215	226	235	242	252	230	278	311	337	358	390
20,000	25,000	186	206	218	228	235	241	243	261	272	281	288	297	220	227	231	235	237	240	343	405	447	478	505	543	233	255	269	279	288	299	266	321	359	389	413	450
25,000	30,000	212	235	249	260	269	281	282	303	316	326	334	345	258	266	271	275	278	282	388	458	505	541	570	614	268	293	309	321	330	344	298	360	403	436	464	505
30,000	35,000	237	262	278	290	300	314	319	343	358	369	378	391	295	304	310	314	317	322	430	507	559	599	631	680	301	329	347	360	371	386	327	396	443	480	510	555
35,000	40,000	260	288	306	319	330	345	355	382	399	411	421	435	320	341	347	352	356	361	469	553	610	653	689	742	332	363	383	398	409	426	355	430	481	520	553	602
40,000	45,000	282	313	332	346	358	374	390	419	438	451	462	477	364	376	384	389	393	398	506	597	658	705	744	800	362	396	418	434	446	465	381	462	516	559	594	647
45,000	50,000	304	336	357	373	385	403	424	456	476	490	502	519	398	411	419	425	429	435	542	639	704	755	796	857	391	428	451	468	482	502	406	492	550	595	633	689
50,000	60,000	334	371	393	410	424	444	473	508	531	547	560	578	447	462	471	477	482	489	592	699	770	825	870	937	432	473	499	518	533	555	442	535	598	647	688	749
60,000	70,000	373	414	439	458	473	495	535	576	601	620	634	655	511	528	538	545	551	558	656	774	853	914	964	1037	485	531	560	581	598	623	486	588	658	712	757	824
70,000	80,000	410	454	482	502	514	546	591	619	639	654	675	572	591	602	610	617	626	716	845	931	997	1052	1132	536	586	618	642	661	687	527	638	713	772	821	894	
80,000	90,000	446	494	524	547	565	591	654	703	734	757	775	800	632	653	665	674	681	691	773	913	1005	1076	1135	1222	584	639	674	700	720	749	566	685	766	829	882	960
90,000	100,000	479	531	564	588	608	636	710	764	798	822	842	870	691	713	727	737	744	755	827	976	1075	1152	1215	1307	631	690	728	755	778	809	603	730	816	884	940	1022
100,000	or more	512	567	602	628	649	679	765	824	860	886	907	937	748	772	787	798	806	817	879	1037	1143	1224	1291	1390	676	740	780	809	833	867	639	773	864	935	995	1082

Income At least	But less than	North Dakota ¹					Ohio ¹					Oklahoma ¹					Pennsylvania					Rhode Island					South Carolina										
		Over					Over					Over					Over					Over					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	1	2	3	4	5						
\$0	\$10,000	95	105	111	116	120	125	119	128	133	137	141	145	111	132	145	156	164	177	109	114	117	119	121	123	117	121	124	125	127	129	163	196	217	234	248	269
10,000	15,000	120	132	140	146	151	158	151	162	169	175	179	184	136	161	177	190	201	216	139	145	149	152	154	158	149	154	157	159	161	164	198	237	263	283	300	325
15,000	20,000	152	168	178	182	192	200	193	207	216	223	228	236	167	197	213	223	246	265	178	187	192	196	199	203	190	197	201	204	206	210	240	288	320	344	365	395
20,000	25,000	182	201	213	222	229	239	232	249	260	268	274	283	194	230	253	272	287	309	215	226	232	236	240	245	228	237	241	245	248	252	278	333	370	398	422	457
25,000	30,000	210	232	245	256	264	276	268	288	301	310	317	327	220	260	286	307	324	349	250	262	269	274	278	284	264	274	280	284	287	292	312	374	415	447	474	514
30,000	35,000	236	261	276	288	297	311	303	325	340	350	358	370	243	287	317	340	358	386	284	297	305	311	316	322	299	309	316	321	324	329	344	412	457	493	522	566
35,000	40,000	261	289	306	319	329	344	336	361	377	388	397	410	265	313	346	370	391	421	316	330	339	346	351	358	332	344	351	356	360	366	373	447	536	568	615	
40,000	45,000	285	315	334	348	360	376	368	396	413	425	435	450	286	338	373	400	422	454	377	383	393	388	386	394	363	377	384	390	395	401	401	481	534	576	610	661
45,000	50,000	309	341	362	377	389	407	399	429	448	461	472	488	306	362	399	427	451	486	347	364	375	413	419	428	394	408	417	423	428	435	428	513	570	614	651	705
50,000	60,000	343	379	401	418	432	451	444	477	498	513	525	543	335	395	436	467	493	531	420	440	452	461	468	477	439	455	464	471	476	484	466	558	620	669	708	768
60,000	70,000	386	426	452	471	486	508	501	539	562	580	593	612	370	438	483	517	546	588	476	499	512	522	530	541	496	514	524	532	538	547	513	615	683	736	780	846
70,000	80,000	427	472	500	521	538	562	557	598	624	643	658	680	404	477	526	564	595	641	530	555	570	581	590	602	551	570	582	591	598	607	558	668	742	800	848	919
80,000	90,000	467	516	547	570	588	615	610	655	684	705	721	745	436	515	568	609	642	692	582	609	626	638	648	661	603	625	638	648	655	665	600	718	798	860	912	988
90,000	100,000	505	558	591	616	636	665	661	711	741	764	782	808	466	551	608	651	687	740	633	662	680	694	704	718	654	678	692	710	722	740	604	766	851	917	972	1053
100,000	or more	542	599	635	662	683	714	711	764	797	822	841	869	495	585	646	692	730	786	682	714	733	747	759	774	704	729	745	756	764	776	678	812	902	972	1030	1116

Income At least	But less than	South Dakota ²					Tennessee ¹					Texas ¹					Utah ¹²					Vermont					Virginia ¹³										
		Over					Over					Over					Over					Over					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	1	2	3	4	5						
\$0	\$10,000	162	192	211	226	238	256	190	224	247	265	279	301	101	111	118	122	126	132	188	223	246	264	279	301	56	65	71	76	80	85	122	147	164	177	188	204
10,000	15,000	198	234	258	276	291	313	232	274	302	324	341	367	127	140	149	155	160	167	229	272	300	322	340	367	71	83	91	97	102	109	149	179	200	216	229	249
15,000	20,000	243	287	316	339	357	384	285	337	371	397	419	451	162	178	189	197	203	212	281	333	368	395	417	450	91	106	116	124	130	140	182	219	244	264	280	304
20,000	25,000	284	334	368	394	416	448	332	392	432	463	488	526	194	214	226	236	243	254	327	388	429	460	486	524	110	128	140	149	157	168	211	254	284	306	325	353
25,000	3																																				

To Call Tele-Tax Toll-Free, Use Only The Numbers Listed Below For Your Area

Recorded Tax Information has about 150 topics of tax information that answer many Federal tax questions and a topic for local information such as the location of VITA and TCE sites. You can hear up to three topics on each call you make.

Automated Refund Information is available after March 15. If it has been 10 weeks since you mailed your 1986 tax return, we will be able to check the status of your refund.

Long-distance charges apply if you call from outside the local dialing area of the numbers listed below. **Do not dial 800 when using a local number.** A complete list of these topics and instructions on how to use Tele-Tax are on the next page.

Note: Cities with a 1 before them have only Recorded Tax Information and can only be called if you have a push-button (tone signalling) phone. Cities with a 2 before them have Recorded Tax Information, including topic 999 for local information, and Automated Refund Information and can be called by using any type of phone.

ALABAMA

- 1 Birmingham, 251-9454
- 1 Huntsville, 534-5203
- 1 Mobile, 433-6993
- 1 Montgomery, 262-8304

ALASKA

- 1 Anchorage, 562-1848

ARIZONA

- 2 Phoenix, 252-4909

ARKANSAS

- 1 Little Rock, 372-3891

CALIFORNIA

- 1 Bakersfield, 861-4105
- 1 Carson, 632-3555
- 2 Counties of Amador, Calaveras, Contra Costa, Marin, and San Joaquin, 1-800-428-4032
- 2 Los Angeles, 617-3177
- 2 Oakland, 839-4245
- 1 Oxnard, 485-7236
- 1 Riverside, 351-6769
- 1 Sacramento, 448-4367
- 1 San Diego, 293-5020
- 1 San Jose, 293-5606
- 1 Santa Ana, 836-2974
- 1 Santa Maria, 928-7503
- 1 Santa Rosa, 528-6233
- 1 Stockton, 463-6005
- 1 Visalia, 733-8194

COLORADO

- 1 Colorado Springs, 597-6344
- 2 Denver, 592-1118
- 1 Ft. Collins, 221-0658

CONNECTICUT

- 1 Bridgeport, 335-0070
- 1 Hartford, 547-0015
- 1 New Haven, 777-4594
- 1 Waterbury, 754-4235

DELAWARE

- 1 Dover, 674-1118
- 1 Wilmington, 652-0272

DISTRICT of COLUMBIA

- 2 Call 628-2929

FLORIDA

- 1 Daytona Beach, 253-0669
- 1 Ft. Lauderdale, 523-3100
- 2 Jacksonville, 353-9579
- 1 Miami, 374-5144
- 1 Orlando, 422-0592
- 1 St. Petersburg, 578-0424
- 1 Tallahassee, 222-0807
- 1 Tampa, 229-0815
- 1 West Palm Beach, 655-1996

GEORGIA

- 1 Albany, 435-1415
- 2 Atlanta, 331-6572
- 1 Augusta, 722-9068
- 1 Columbus, 327-0298
- 1 Macon, 745-2890
- 1 Savannah, 355-9632

HAWAII

- 1 Honolulu, 541-1185

IDAHO

- 2 Call 1-800-554-4477

ILLINOIS

- 1 Aurora, 851-2718
- 1 Bloomington, 828-6116
- 1 Champaign, 398-1779
- 2 Chicago, 886-9614
- 1 East St. Louis, 875-4050
- 1 Ottawa, 433-1568
- 1 Peoria, 637-9305
- 1 Quad Cities, 326-1720
- 1 Rockford, 987-4280
- 1 Springfield, 789-0489

INDIANA

- 1 Evansville, 422-1026
- 1 Fort Wayne, 484-3065
- 1 Gary, 884-4465
- 2 Indianapolis, 634-1550
- 1 South Bend, 232-5459

IOWA

- 1 Cedar Rapids, 399-2210
- 1 Des Moines, 284-4271
- 1 Quad Cities, 326-1720
- 1 Waterloo, 234-0817

KANSAS

- 1 Wichita, 264-3147

KENTUCKY

- 1 Erlanger, 727-3338
- 1 Lexington, 233-2889
- 1 Louisville, 582-5599

LOUISIANA

- 1 New Orleans, 529-2854

MAINE

- 1 Portland, 775-0465

MARYLAND

- 2 Baltimore, 244-7306
- 1 Cumberland, 722-5331
- 1 Frederick, 663-5798
- 1 Hagerstown, 733-6815
- 1 Salisbury, 742-9458

MASSACHUSETTS

- 2 Boston, 523-8602
- 1 Springfield, 739-6624

MICHIGAN

- 1 Ann Arbor, 665-4544
- 2 Detroit, 961-4282
- 1 Flint, 238-4599
- 1 Grand Rapids, 451-2034
- 1 Kalamazoo, 343-0255
- 1 Lansing, 372-2454
- 1 Mt. Clemens, 463-9550
- 1 Pontiac, 858-2336
- 1 Saginaw, 753-9911

MINNESOTA

- 1 Duluth, 722-5494
- 1 Rochester, 288-5595
- 2 St. Paul, 224-4288

MISSISSIPPI

- 1 Gulfport, 863-3302
- 1 Jackson, 965-4168

MISSOURI

- 1 Jefferson City, 636-8312
- 1 Kansas City, 421-3741
- 1 Springfield, 883-3419
- 2 St. Louis, 241-4700

MONTANA

- 1 Billings, 656-1422
- 1 Great Falls, 727-4902
- 1 Helena, 443-7034

NEBRASKA

- 1 Lincoln, 471-5450
- 1 Omaha, 221-3324

NEVADA

- 2 Call 1-800-554-4477

NEW HAMPSHIRE

- 1 Manchester, 623-5778
- 1 Portsmouth, 431-0637

NEW JERSEY

- 1 Atlantic City, 348-2636
- 1 Camden, 966-3412
- 1 Hackensack, 487-1817
- 2 Newark, 624-1223
- 1 Paterson, 278-5442
- 1 Trenton, 599-2150

NEW MEXICO

- 1 Albuquerque, 766-1102

NEW YORK

- 1 Albany, 465-8318
- 1 Binghamton, 722-8426
- 2 Brooklyn, 858-4461
- 2 Buffalo, 856-9320
- 2 Manhattan, 406-4080
- 1 Mineola, 248-6790
- 1 Poughkeepsie, 452-1877
- 1 Rochester, 454-3330
- 1 Smithtown, 979-0720
- 2 Staten Island, 406-4080
- 1 Syracuse, 471-1630
- 1 White Plains, 683-0134

NORTH CAROLINA

- 1 Asheville, 254-3044
- 1 Charlotte, 567-9885
- 1 Durham, 541-5283
- 1 Fayetteville, 483-0735
- 1 Greensboro, 378-1572
- 1 Raleigh, 755-1498
- 1 Winston-Salem, 725-3013

NORTH DAKOTA

- 1 Bismarck, 258-8210
- 1 Fargo, 232-9360
- 1 Grand Forks, 746-0324
- 1 Minot, 838-1234

OHIO

- 1 Akron, 253-1170
- 1 Canton, 455-6061
- 2 Cincinnati, 421-0329
- 2 Cleveland, 522-3037
- 1 Columbus, 469-2266
- 1 Dayton, 225-7237
- 1 Lima, 224-0341
- 1 Mansfield, 525-3474
- 1 Toledo, 255-3743
- 1 Youngstown, 744-4200

OKLAHOMA

- 1 Oklahoma City, 235-3434
- 1 Tulsa, 599-0555

OREGON

- 2 Portland, 294-5363

PENNSYLVANIA

- 1 Bethlehem, 861-0325
- 1 Harrisburg, 236-1356
- 1 Jenkintown, 887-1261
- 1 Lancaster, 392-0980
- 1 Norristown, 275-0242
- 2 Philadelphia, 592-8946
- 2 Pittsburgh, 281-3120
- 1 Reading, 373-4568
- 1 Scranton, 961-0325
- 1 Wilkes-Barre, 823-9552
- 1 Williamsport, 323-4242

RHODE ISLAND

- 1 Providence, 861-5220

SOUTH CAROLINA

- 1 Charleston, 722-0369
- 1 Columbia, 254-4749
- 1 Greenville, 235-8093

SOUTH DAKOTA

- 1 Rapid City, 348-3454
- 1 Sioux Falls, 335-7081
- 1 Watertown, 882-4979

TENNESSEE

- 1 Chattanooga, 892-5577
- 1 Jackson, 664-1858
- 1 Johnson City, 282-1917
- 1 Knoxville, 521-7478
- 1 Memphis, 525-2611
- 2 Nashville, 242-1541

TEXAS

- 1 Austin, 479-0391
- 2 Dallas, 767-1792
- 1 El Paso, 534-0260
- 1 Ft. Worth, 334-3888
- 2 Houston, 850-8801
- 1 San Antonio, 680-9591

UTAH

- 1 Salt Lake City, 355-9328

VERMONT

- 1 Burlington, 658-0007

VIRGINIA

- 1 Bristol, 669-0565
- 1 Charlottesville, 296-8558
- 1 Danville, 797-2223
- 1 Hampton, 826-8071
- 1 Lynchburg, 845-6052
- 1 Norfolk, 441-3623
- 2 Richmond, 771-2369
- 1 Roanoke, 982-6062
- 1 Staunton, 886-3541

WASHINGTON

- 2 Seattle, 343-7221
- 1 Spokane, 455-9213

WEST VIRGINIA

- 1 Charleston, 343-3597
- 1 Huntington, 523-0104

WISCONSIN

- 1 Eau Claire, 834-6121
- 1 Green Bay, 433-3884
- 1 Madison, 264-5349
- 2 Milwaukee, 291-1783
- 1 Racine, 886-1615

WYOMING

- 1 Cheyenne, 634-1198

Note: If there is no number listed for your specific area, call 1-800-554-4477.

How To Use Tele-Tax

Recorded Tax Information

1. Select, by number, the topic you wish to hear.
2. Have paper and pencil handy to take notes.
3. Call the appropriate phone number.
4. ● If you have a push-button (tone signalling) phone, follow the recorded instructions, or
 - If you have a rotary (dial) or push-button (pulse dial) phone, ask the IRS operator for the topic number you want to hear.
5. ● Push-button (tone signalling) service is available 24 hours a day, 7 days a week.
 - Rotary (dial)/push-button (pulse dial) service is available Monday through Friday during regular office hours. (In Hawaii, from 6:30 A.M. to 1:00 P.M.)

Automated Refund Information

1. Have a copy of your tax return available since you will need to know the first social security number shown on your return, the filing status, and the exact amount of your refund.
2. Call the appropriate phone number.
3. Follow the recorded instructions.
4. ● Push-button (tone signalling) service is available Monday through Friday from 6:30 A.M. to 6 P.M. (Hours may vary in your area.)
 - Rotary (dial)/push-button (pulse dial) service is available Monday through Friday during regular office hours. (In Hawaii, from 6:30 A.M. to 1:00 P.M.)

Tele-Tax Topic Numbers and Subjects

Topic No.	Subject
IRS Procedures and Services	
100	IRS help available—Volunteer tax assistance programs, toll-free telephone, walk-in assistance, and outreach program
101	Tax assistance for handicapped individuals and the deaf
102	Small business tax workshops—Tax help for the new business person
103	Problem resolution program—Special help for problem situations
104	Public libraries—Tax information tapes and reproducible tax forms
105	Examination procedures and how to prepare for an audit
106	The collection process
107	Tax fraud—How to report
108	Special enrollment examination to practice before IRS
109	Organizations—How to apply for exempt status
999	Local Information
Filing Requirements, Filing Status, Exemptions	
110	Who must file?
111	Which form—1040, 1040A, or 1040EZ?
112	When, where, and how to file
113	Filing requirements for a dependent child
114	Filing as single
115	Filing joint or separate
116	Filing as head of household
117	Filing as qualifying widow/widower
118	Filing status for separated individuals
119	Exemptions for age and blindness
120	Dependent—Who can be claimed?
121	Dependent child—Divorced or separated parents
122	Dependent—Items to include in determining support
126	Estimated tax
127	Amended returns
128	Decedents
Types of Income	
130	Wages and salaries
131	Tips
132	Interest received
133	Dividends and dividend exclusion
134	Refund of state and local taxes

Topic No.	Subject
135	Alimony received
136	Business income
137	Sole proprietorship
138	Capital gains and losses
139	Pensions and annuities
140	Pensions—The general rule
141	Lump-sum distributions—Profit-sharing plans
143	Rental income and expenses
200	Renting vacation property/Renting to relatives
201	Royalties
202	Farming and fishing income
203	Earnings for clergy members
204	Unemployment compensation
205	Gambling income and expenses
206	Bartering income
207	Scholarships, fellowships, and grants
208	Nontaxable income
209	Social security and tier 1 railroad retirement taxability
210	Social Security Benefit Statement—Form SSA-1099
Adjustments to Income	
211	Charitable contributions deduction for those who do not itemize
212	Deduction for married couples when both work
213	Moving expenses
214	Employee business expenses
215	Business use of car
216	Business travel expenses
217	Business entertainment expenses
218	Individual retirement arrangements (IRA's)
219	Alimony paid
225	Bad debt deduction
226	Tax shelters
Itemized Deductions	
227	Should I itemize?
228	Medical and dental expenses
229	Medical insurance
231	Taxes
232	Sales tax
233	Interest expense
234	Contributions
235	Casualty losses
236	Miscellaneous expenses
237	Business use of your home
238	Educational expenses
Tax Computation	
240	Tax table/Tax rate schedules
243	Tax and credits figured by IRS
244	Income averaging
300	Self-employment tax
301	Ten-year averaging for lump-sum distributions
303	Alternative minimum tax
304	Gift tax
305	Estate tax
Tax Credits	
306	Child care credit
307	Earned income credit
308	Residential energy credit
309	Credit for the elderly or for the permanently and totally disabled
310	Tax credit for contributions to candidates for public office
311	Investment credit
312	Qualified royalty owners exemption (windfall profit tax)
General Information	
314	Substitute tax forms
315	Highlights of 1986 tax changes
316	Refunds—How long they should take
317	Copy of your tax return—How to get one
318	Forms/Publications—How to order
319	Tax shelter registration
320	Extensions for time to file your tax return
325	Form W-2—What to do if not received
326	Highlights of the Tax Reform Act
327	IRS notices and bills/Penalty and interest charges
328	Tax benefits for low income Americans
329	Penalty for underpayment of estimated tax—Form 2210

Topic No.	Subject
330	Recordkeeping
331	How to choose a tax preparer
332	Audit appeal rights
333	Failure to pay child/spousal support and other Federal obligations
335	Withholding on interest and dividends
336	Highway use tax
337	Checklist/Common errors when preparing your tax return
338	Withholding on pensions and annuities
339	Your tax form is overdue—Let us hear from you
340	Second request for information about your tax form
341	Notice of intent to levy
342	Notice of underreported income—CP2000
Basis of Assets, Depreciation, Sale of Assets	
343	Sale of personal residence—General
344	Sale of personal residence—How to report gain
400	Sale of personal residence—Exclusion of gain, age 55 and over
401	Basis of assets
402	Depreciation—General
403	Depreciation—Accelerated cost recovery system
404	Installment sales
Employer Tax Information	
406	Social security withholding rates
407	Form W-2—Where, when and how to file
408	Form W-4—Employee's Withholding Allowance Certificate
409	Federal tax deposits—General
410	Employer identification number—How to apply
412	Form 942—Employer's Quarterly Tax Return for Household Employees
413	Form 941—Deposit requirements
414	Form 941—Employer's Quarterly Federal Tax Return
415	Form 940—Deposit requirements
416	Form 940—Employer's Annual Federal Unemployment Tax Return
417	Targeted jobs credit
418	Tips—Withholding and reporting
Tax Information for Aliens and U.S. Citizens Living Abroad	
420	Resident and nonresident aliens
425	Dual-status alien
426	Alien tax clearance
428	Foreign earned income exclusion—General
429	Foreign earned income exclusion—Who qualifies?
430	Foreign earned income exclusion—What income qualifies?
431	Foreign tax credit
The following topics are in Spanish	
433	Who must file?
434	Which form to use?
435	Filing status—Single, married filing jointly, and married filing separately
436	Filing status—Head of household and qualifying widow/widower
437	Earned income credit
438	Highlights of 1986 tax changes
439	Forms and publications—How to order
440	Alien tax clearance
441	Refunds—How long they should take
442	IRS help available—Volunteer tax assistance programs, toll-free telephone, walk-in assistance, and outreach program
443	Social security and tier 1 railroad retirement taxability
444	Social Security Benefit Statement—Form SSA-1099

Privacy Act and Paperwork Reduction Act Notice

The Privacy Act of 1974 and Paperwork Reduction Act of 1980 say that when we ask you for information, we must tell you: our legal right to ask for the information; what major purposes we have in asking for it and how it will be used; what could happen if we do not receive it; and whether your response is voluntary, required to obtain a benefit, or mandatory under the law.

For the Internal Revenue Service, the laws include tax returns and any papers filed with them and any questions we need to ask you so we can complete, correct, or process your return; figure your tax; and collect tax, interest, or penalties.

Our legal right to ask for information is Internal Revenue Code sections 6001,

6011, and 6012(a) and their regulations. They say that you must file a return or statement with us for any tax you are liable for. Your response is mandatory under these sections. Code section 6109 and its regulations say that you must show your social security number on what you file. This is so we know who you are, and can process your return and papers. You must fill in all parts of the tax form that apply to you. But you do not have to check the boxes for the Presidential Election Campaign Fund.

We ask for tax return information to carry out the Internal Revenue laws of the United States. We need it to figure and collect the right amount of tax.

We may give the information to the Department of Justice and to other Federal agencies, as provided by law. We may also give it to cities, states, the District of Columbia, and U.S. commonwealths or

possessions to carry out their tax laws. And we may give it to foreign governments because of tax treaties they have with the United States.

If you do not file a return, do not provide the information we ask for, or provide fraudulent information, the law provides that you may be charged penalties and, in certain cases, you may be subject to criminal prosecution. We may also have to disallow the exemptions, exclusions, credits, deductions, or adjustments shown on the tax return. This could make the tax higher or delay any refund. Interest may also be charged.

Please keep this notice with your records. It may help you if we ask you for other information. If you have questions about the rules for filing and giving information, please call or visit any Internal Revenue Service office.

1986 Earned Income Credit Table Caution: This Is Not a Tax Table

To find your earned income credit: Read down the column titled "If line 3 or 4 of the worksheet is—" and find the appropriate

amount from the Earned Income Credit Worksheet on page 16. Read across to the right and find the amount of the earned

income credit. Enter that amount on line 5 or 6 of the worksheet, whichever applies.

If line 3 or 4 of the worksheet is—			Your earned income credit is—			If line 3 or 4 of the worksheet is—			Your earned income credit is—			If line 3 or 4 of the worksheet is—			Your earned income credit is—		
Over	But not over		Over	But not over		Over	But not over		Over	But not over		Over	But not over		Over	But not over	
\$0	\$50	\$3	\$2,000	\$2,050	\$223	\$4,000	\$4,050	\$443	\$7,450	\$7,500	\$431	\$9,450	\$9,500	\$186			
50	100	8	2,050	2,100	228	4,050	4,100	448	7,500	7,550	425	9,500	9,550	180			
100	150	14	2,100	2,150	234	4,100	4,150	454	7,550	7,600	419	9,550	9,600	174			
150	200	19	2,150	2,200	239	4,150	4,200	459	7,600	7,650	413	9,600	9,650	168			
200	250	25	2,200	2,250	245	4,200	4,250	465	7,650	7,700	406	9,650	9,700	162			
250	300	30	2,250	2,300	250	4,250	4,300	470	7,700	7,750	400	9,700	9,750	156			
300	350	36	2,300	2,350	256	4,300	4,350	476	7,750	7,800	394	9,750	9,800	150			
350	400	41	2,350	2,400	261	4,350	4,400	481	7,800	7,850	388	9,800	9,850	144			
400	450	47	2,400	2,450	267	4,400	4,450	487	7,850	7,900	382	9,850	9,900	138			
450	500	52	2,450	2,500	272	4,450	4,500	492	7,900	7,950	376	9,900	9,950	131			
500	550	58	2,500	2,550	278	4,500	4,550	498	7,950	8,000	370	9,950	10,000	125			
550	600	63	2,550	2,600	283	4,550	4,600	503	8,000	8,050	364	10,000	10,050	119			
600	650	69	2,600	2,650	289	4,600	4,650	509	8,050	8,100	358	10,050	10,100	113			
650	700	74	2,650	2,700	294	4,650	4,700	514	8,100	8,150	351	10,100	10,150	107			
700	750	80	2,700	2,750	300	4,700	4,750	520	8,150	8,200	345	10,150	10,200	101			
750	800	85	2,750	2,800	305	4,750	4,800	525	8,200	8,250	339	10,200	10,250	95			
800	850	91	2,800	2,850	311	4,800	4,850	531	8,250	8,300	333	10,250	10,300	89			
850	900	96	2,850	2,900	316	4,850	4,900	536	8,300	8,350	327	10,300	10,350	83			
900	950	102	2,900	2,950	322	4,900	4,950	542	8,350	8,400	321	10,350	10,400	76			
950	1,000	107	2,950	3,000	327	4,950	5,000	547	8,400	8,450	315	10,400	10,450	70			
1,000	1,050	113	3,000	3,050	333	5,000	6,500	550	8,450	8,500	309	10,450	10,500	64			
1,050	1,100	118	3,050	3,100	338	6,500	6,550	547	8,500	8,550	303	10,500	10,550	58			
1,100	1,150	124	3,100	3,150	344	6,550	6,600	541	8,550	8,600	296	10,550	10,600	52			
1,150	1,200	129	3,150	3,200	349	6,600	6,650	535	8,600	8,650	290	10,600	10,650	46			
1,200	1,250	135	3,200	3,250	355	6,650	6,700	529	8,650	8,700	284	10,650	10,700	40			
1,250	1,300	140	3,250	3,300	360	6,700	6,750	523	8,700	8,750	278	10,700	10,750	34			
1,300	1,350	146	3,300	3,350	366	6,750	6,800	516	8,750	8,800	272	10,750	10,800	28			
1,350	1,400	151	3,350	3,400	371	6,800	6,850	510	8,800	8,850	266	10,800	10,850	21			
1,400	1,450	157	3,400	3,450	377	6,850	6,900	504	8,850	8,900	260	10,850	10,900	15			
1,450	1,500	162	3,450	3,500	382	6,900	6,950	498	8,900	8,950	254	10,900	10,950	9			
1,500	1,550	168	3,500	3,550	388	6,950	7,000	492	8,950	9,000	248	10,950	10,999	3			
1,550	1,600	173	3,550	3,600	393	7,000	7,050	486	9,000	9,050	241						
1,600	1,650	179	3,600	3,650	399	7,050	7,100	480	9,050	9,100	235						
1,650	1,700	184	3,650	3,700	404	7,100	7,150	474	9,100	9,150	229						
1,700	1,750	190	3,700	3,750	410	7,150	7,200	468	9,150	9,200	223						
1,750	1,800	195	3,750	3,800	415	7,200	7,250	461	9,200	9,250	217						
1,800	1,850	201	3,800	3,850	421	7,250	7,300	455	9,250	9,300	211						
1,850	1,900	206	3,850	3,900	426	7,300	7,350	449	9,300	9,350	205						
1,900	1,950	212	3,900	3,950	432	7,350	7,400	443	9,350	9,400	199						
1,950	2,000	217	3,950	4,000	437	7,400	7,450	437	9,400	9,450	193						

\$11,000 or more—you cannot take the credit

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 with no long-distance charge. Please use a local city number only if it is not a long-distance call for you. **Do not dial 800 when using a local city number.** Otherwise, use the general toll-free number given.

We are happy to answer questions to help you prepare your return. But you should know that you are responsible for the accuracy of your return. If we do make an error, you are still responsible for the payment of the correct tax.

To make sure that IRS employees give courteous responses and correct information to taxpayers, a second IRS employee sometimes listens in on telephone calls. No record is kept of any taxpayer's name, address, or social security number.

If you find it necessary to write instead of calling, please address your letter to your IRS District Director for a prompt reply. Make sure you include your social security number or taxpayer identifying number when you write.

The IRS has a telephone service called Tele-Tax. It provides automated refund information and recorded tax information on about 150 topics covering such areas as filing requirements, dependents, itemized deductions, and tax credits. Tele-Tax is available 24 hours a day, 7 days a week, to taxpayers using push-button (tone signalling) telephones, and Monday through Friday, during office hours, to taxpayers using push-button (pulse dial) or rotary (dial) phones. See Tele-Tax Information in the index for the page numbers that contain telephone numbers, available topics, and instructions describing how to use this service.

ALABAMA
Call 1-800-424-1040

ALASKA
Anchorage, 561-7484
Elsewhere in Alaska, call
1-800-478-1040

ARIZONA
Phoenix, 257-1233

ARKANSAS
Call 1-800-424-1040

CALIFORNIA
Please call the telephone number shown in the white pages of your local telephone directory under U.S. Government, Internal Revenue Service, Federal Tax Assistance.

COLORADO
Denver, 825-7041

CONNECTICUT
Call 1-800-424-1040

DELAWARE
Call 1-800-424-1040

DISTRICT of COLUMBIA
Call 488-3100

FLORIDA
Jacksonville, 354-1760

GEORGIA
Atlanta, 522-0050

HAWAII
Oahu, 541-1040
All other islands,
1-800-232-2511

IDAHO
Call 1-800-424-1040

ILLINOIS
Chicago, 435-1040

INDIANA
Indianapolis, 269-5477

IOWA
Des Moines, 283-0523

KANSAS
Call 1-800-424-1040

KENTUCKY
Call 1-800-424-1040

LOUISIANA
Call 1-800-424-1040

MAINE
Call 1-800-424-1040

MARYLAND
Baltimore, 962-2590
Montgomery County,
488-3100
Prince George's County,
488-3100

MASSACHUSETTS
Boston, 523-1040

MICHIGAN
Detroit, 237-0800

MINNESOTA
Minneapolis, 291-1422
St. Paul, 291-1422

MISSISSIPPI
Call 1-800-424-1040

MISSOURI
St. Louis, 342-1040

MONTANA
Call 1-800-424-1040

NEBRASKA
Omaha, 422-1500

NEVADA
Call 1-800-424-1040

NEW HAMPSHIRE
Call 1-800-424-1040

NEW JERSEY
Newark, 622-0600

NEW MEXICO
Call 1-800-424-1040

NEW YORK
Bronx, 732-0100
Brooklyn, 596-3770
Buffalo, 855-3955
Manhattan, 732-0100
Nassau, 222-1131
Queens, 596-3770
Rockland County, 997-1510
Staten Island, 732-0100
Suffolk, 724-5000
Westchester County,
997-1510

NORTH CAROLINA
Call 1-800-424-1040

NORTH DAKOTA
Call 1-800-424-1040

OHIO
Cincinnati, 621-6281
Cleveland, 522-3000

OKLAHOMA
Call 1-800-424-1040

OREGON
Eugene, 485-8286
Portland, 221-3960
Salem, 581-8721

PENNSYLVANIA
Philadelphia, 574-9900
Pittsburgh, 281-0112

PUERTO RICO
San Juan Metro Area,
753-4040
Isla DDD, 753-4549

RHODE ISLAND
Call 1-800-424-1040

SOUTH CAROLINA
Call 1-800-424-1040

SOUTH DAKOTA
Call 1-800-424-1040

TENNESSEE
Nashville, 259-4601

TEXAS
Austin, 472-1974
Corpus Christi, 888-9431
Dallas, 742-2440
El Paso, 532-6116
Ft. Worth, 263-9229
Houston, 965-0440
San Antonio, 229-1700

UTAH
Call 1-800-424-1040

VERMONT
Call 1-800-424-1040

VIRGINIA
Bailey's Crossroads,
557-9230
Richmond, 649-2361

WASHINGTON
Seattle, 442-1040

WEST VIRGINIA
Call 1-800-424-1040

WISCONSIN
Milwaukee, 271-3780

WYOMING
Call 1-800-424-1040

Note: If there is no number listed for your specific area, please call **1-800-424-1040**.

Telephone Assistance Services for Deaf Taxpayers Who Have Access to TV / Telephone—TTY Equipment.

Hours of Operation
8:00 A.M. to 6:45 P.M. EST (Filing Season)
8:00 A.M. to 4:30 P.M. EST (Nonfiling Season)
Indiana residents,
1-800-382-4059
Elsewhere in U.S., including Alaska, Hawaii, Virgin Islands, and Puerto Rico,
1-800-428-4732

Toll-Free "Forms Only" Telephone Numbers

If you only need to order tax forms and publications and do not have any tax questions, call the number listed below for your area.

ALASKA
Anchorage, 563-5313
Elsewhere in Alaska, call
1-800-478-1040

ARIZONA
Phoenix, 257-1233
Tucson, 882-0730

CALIFORNIA
Please call the telephone number shown in the white pages of your local telephone directory under U.S. Government, Internal Revenue Service, Federal Tax Forms.

COLORADO
Denver, 825-7041

HAWAII
Honolulu, 541-1180
All other islands,
1-800-232-2511

ILLINOIS
Bloomington, 662-2515

OREGON
Eugene, 485-8286
Portland, 221-3933
Salem, 581-8721

PUERTO RICO
San Juan Metro Area,
753-4040
Isla DDD, 753-4549

VIRGINIA
Richmond, 329-1052

WASHINGTON
Seattle, 442-5100

Note: If there is no number listed for your state or specific area, call **1-800-424-FORM (3676)**.

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 order the following items from IRS or get them at many participating banks, post offices, or libraries:

Form 1040, U.S. Individual Income Tax Return
Instructions for Form 1040

Form 1040A
Instructions for Form 1040A

Form 1040EZ
Instructions for Form 1040EZ

Schedule A for itemized deductions

Schedule B for interest income if more than \$400; for dividends and other distributions on stock if more than \$400; and for answering the Foreign Accounts or Foreign Trusts Questions

Schedule W for the deduction for a married couple when both work

You can photocopy the following items (as well as those listed above) at many participating libraries or order them from IRS:

Schedule C, Profit or (Loss) From Business or Profession

Schedule D, Capital Gains and Losses and Reconciliation of Forms 1099-B

Schedule E, Supplemental Income Schedule

Schedule F, Farm Income and Expenses

Schedule G, Income Averaging

Schedule R, Credit for the Elderly or for the Permanently and Totally Disabled

Schedule SE, Computation of Social Security Self-Employment Tax

Form 1040-ES, Estimated Tax for Individuals

Form 2106, Employee Business Expenses

Form 2119, Sale or Exchange of Principal Residence

Form 2210, Underpayment of Estimated Tax by Individuals

Form 2441, Credit for Child and Dependent Care Expenses

Form 3468, Computation of Investment Credit

Form 3903, Moving Expenses

Form 4136, Computation of Credit for Federal Tax on Gasoline and Special Fuels

Form 4562, Depreciation and Amortization

Form 4684, Casualties and Thefts

Form 4797, Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions

Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return

Form 5695, Residential Energy Credit Carryforward

Form 8283, Noncash Charitable Contributions

Form 8332, Release of Claim to Exemption for Child of Divorced or Separated Parents

How To Get Publications

The following publications can be ordered from IRS or you can read or photocopy them at many participating libraries:

17 Your Federal Income Tax

54 Tax Guide for U.S. Citizens and Resident Aliens Abroad

334 Tax Guide for Small Business

463 Travel, Entertainment, and Gift Expenses

501 Exemptions

502 Medical and Dental Expenses

503 Child and Dependent Care Credit, and Employment Taxes for Household Employers

504 Tax Information for Divorced or Separated Individuals

505 Tax Withholding and Estimated Tax

506 Income Averaging

508 Educational Expenses

521 Moving Expenses

523 Tax Information on Selling Your Home

524 Credit for the Elderly or for the Permanently and Totally Disabled

525 Taxable and Nontaxable Income

526 Charitable Contributions

527 Rental Property

529 Miscellaneous Deductions

530 Tax Information for Owners of Homes, Condominiums, and Cooperative Apartments

531 Reporting Income From Tips

533 Self-Employment Tax

545 Interest Expense

547 Nonbusiness Disasters, Casualties, and Thefts

550 Investment Income and Expenses

552 Recordkeeping for Individuals and a List of Tax Publications

553 Highlights of 1986 Tax Changes

554 Tax Information for Older Americans

575 Pension and Annuity Income

583 Information for Business Taxpayers

587 Business Use of Your Home

590 Individual Retirement Arrangements (IRAs)

596 Earned Income Credit

905 Tax Information on Unemployment Compensation

907 Tax Information for Handicapped and Disabled Individuals

910 Guide to Free Tax Services

915 Social Security Benefits and Equivalent Railroad Retirement Benefits

917 Business Use of a Car

Other publications and forms referred to in the instructions are also available without cost from the "Forms Distribution Center" for your state.

Where To Send Your Order for Free Forms and Publications

Please send your order to the "Forms Distribution Center" for your state.

- Alabama**—P.O. Box 25866, Richmond, VA 23260
- Alaska**—P.O. Box 12626, Fresno, CA 93778
- Arizona**—P.O. Box 12626, Fresno, CA 93778
- Arkansas**—P.O. Box 25866, Richmond, VA 23260
- California**—P.O. Box 12626, Fresno, CA 93778
- Colorado**—P.O. Box 12626, Fresno, CA 93778
- Connecticut**—P.O. Box 25866, Richmond, VA 23260
- Delaware**—P.O. Box 25866, Richmond, VA 23260
- District of Columbia**—P.O. Box 25866, Richmond, VA 23260
- Florida**—P.O. Box 25866, Richmond, VA 23260
- Georgia**—P.O. Box 25866, Richmond, VA 23260
- Hawaii**—P.O. Box 12626, Fresno, CA 93778
- Idaho**—P.O. Box 12626, Fresno, CA 93778
- Illinois**—P.O. Box 9903, Bloomington, IL 61799
- Indiana**—P.O. Box 9903, Bloomington, IL 61799
- Iowa**—P.O. Box 9903, Bloomington, IL 61799
- Kansas**—P.O. Box 9903, Bloomington, IL 61799
- Kentucky**—P.O. Box 9903, Bloomington, IL 61799
- Louisiana**—P.O. Box 25866, Richmond, VA 23260
- Maine**—P.O. Box 25866, Richmond, VA 23260
- Maryland**—P.O. Box 25866, Richmond, VA 23260
- Massachusetts**—P.O. Box 25866, Richmond, VA 23260
- Michigan**—P.O. Box 9903, Bloomington, IL 61799
- Minnesota**—P.O. Box 9903, Bloomington, IL 61799
- Mississippi**—P.O. Box 25866, Richmond, VA 23260
- Missouri**—P.O. Box 9903, Bloomington, IL 61799
- Montana**—P.O. Box 12626, Fresno, CA 93778
- Nebraska**—P.O. Box 9903, Bloomington, IL 61799
- Nevada**—P.O. Box 12626, Fresno, CA 93778
- New Hampshire**—P.O. Box 25866, Richmond, VA 23260

- New Jersey**—P.O. Box 25866, Richmond, VA 23260
- New Mexico**—P.O. Box 9903, Bloomington, IL 61799
- New York**—P.O. Box 25866, Richmond, VA 23260
- North Carolina**—P.O. Box 25866, Richmond, VA 23260
- North Dakota**—P.O. Box 9903, Bloomington, IL 61799
- Ohio**—P.O. Box 9903, Bloomington, IL 61799
- Oklahoma**—P.O. Box 9903, Bloomington, IL 61799
- Oregon**—P.O. Box 12626, Fresno, CA 93778
- Pennsylvania**—P.O. Box 25866, Richmond, VA 23260
- Rhode Island**—P.O. Box 25866, Richmond, VA 23260
- South Carolina**—P.O. Box 25866, Richmond, VA 23260
- South Dakota**—P.O. Box 9903, Bloomington, IL 61799
- Tennessee**—P.O. Box 25866, Richmond, VA 23260
- Texas**—P.O. Box 9903, Bloomington, IL 61799
- Utah**—P.O. Box 12626, Fresno, CA 93778
- Vermont**—P.O. Box 25866, Richmond, VA 23260
- Virginia**—P.O. Box 25866, Richmond, VA 23260
- Washington**—P.O. Box 12626, Fresno, CA 93778
- West Virginia**—P.O. Box 25866, Richmond, VA 23260
- Wisconsin**—P.O. Box 9903, Bloomington, IL 61799
- Wyoming**—P.O. Box 12626, Fresno, CA 93778

Foreign Addresses—Taxpayers with mailing addresses in foreign countries should send this order blank to either: Forms Distribution Center, P.O. Box 25866, Richmond, VA 23260; or Forms Distribution Center, P.O. Box 12626, Fresno, CA 93778, whichever is closer. Send letter requests for other forms and publications to: Forms Distribution Center, P.O. Box 25866, Richmond, VA 23260.

Puerto Rico—Forms Distribution Center, P.O. Box 25866, Richmond, VA 23260

Virgin Islands—V. I. Bureau of Internal Revenue, P.O. Box 3186, St. Thomas, VI 00801

DETACH AT THIS LINE

Order Blank—The forms, instructions, and publications listed here are available at no cost. We will send you 2 copies of each form and 1 copy of each set of instructions or publication you circle. Please cut the order blank on the dotted line and be sure to print or type your name and address accurately on the other side. This will be the label used to return material to you. Enclose this order blank in your own envelope and address your envelope to the IRS address shown above for your state. To help reduce waste, please order only the forms and publications you think you will need to prepare your return. Attach a separate sheet of paper listing the additional forms and other publications you may need that are not listed on the order blank. Be sure to allow 10 days to receive your order.

Circle Desired Forms, Instructions, and Publications		Schedule G (1040)	2119	4136	4868	Pub. 504	Pub. 529
		Schedule R (1040)	2210	4562	8283	Pub. 506	Pub. 530
1040	Schedules A&B (1040)	Schedule R Instructions	2210 Instructions	4562 Instructions	8283 Instructions	Pub. 521	Pub. 545
Instructions for 1040 & Schedules	Schedule C (1040)	Schedule SE (1040)	2441	4684	Pub. 463	Pub. 523	Pub. 552
1040A	Schedule D (1040)	Schedule W (1040)	3468	4684 Instructions	Pub. 501	Pub. 524	Pub. 553
1040EZ	Schedule E (1040)	1040-ES (1987)	3468 Instructions	4797	Pub. 502	Pub. 526	Pub. 554
1040A & 1040EZ Instructions	Schedule F (1040)	2106	3903	4797 Instructions	Pub. 503	Pub. 527	Pub. 917

Index to Instructions

A
Address Change 18
Addresses of Internal Revenue Service Centers 18
Adjustments to Income 11
Adoption Expenses, Qualified 22
Advance Earned Income Credit Payments 15
After School Child Care Expenses 14
Alimony Paid 12
Alimony Received 9
Alternative Minimum Tax 15
Amended Return 19
Amount You Owe (or Refund) 17
Annuities 9 and 10
At-Risk Limitations 25, 30, and 36
Attachments to the Return 2 and 4
Automated Refund Information 46 and 47

B
Backup Withholding 15
Bartering Income 7
Birth or Death of Dependent 6
Blindness—Proof of 6
Business Income and Expenses (Schedule C) 28
Business Use of Home 22 and 28

C
Capital Gains and Losses (Schedule D) 23
Capital Gain Distributions 9
Casualty and Theft Losses 21
Changes for 1987, Tax Law 2
Child and Dependent Care Expenses—Credit for 14
Children of Divorced or Separated Parents—
Exemption for 7
Community Property States 8
Contributions to Charity 14 and 21
Contributions To Reduce the Public Debt 2
Corresponding With IRS 18
Credit for Earned Income 16
Credits Against Tax 14

D
Day-Care Center Expenses 14
Death of Taxpayer 19
Dependents—Exemptions 6
Dividends, Other Distributions 8 and 22
Divorced or Separated Parents—Children of 7

E
Earned Income Credit 16
Earned Income Credit Table 48
Educational Expenses 22
Elderly Persons—Expenses for Care of 14
Employee Business Expenses 11 and 22
Estates and Trusts 26
Estimated Tax 16, 17, and 18
Excess Medicare Tax Credit 17
Excess Social Security and RRTA Tax Withheld 17
Exemptions 6

F
Farm Income and Expenses (Schedule F) 33
Filing Requirements—
Extension of Time To File 3
When To File 3
Where To File 18
Which Form To File 3
Who Must File 3
Who Should File 3
Filing Status 5

Foreign Accounts and Foreign Trusts 23
Forms—See "Order Blank" 50 and 51
Fringe Benefits 8

H
Head of Household 5

I
Important Reminders 2
Income—Not To Be Reported (Examples) 7
Income—To Be Reported (Examples) 7
Income Averaging (Schedule G) 14
Income Tax Withholding (Federal) 15
Individual Retirement Arrangements (IRAs)—
Contributions to (line 26) 11
Distributions from (line 16) 9
Interest You May Deduct 20
Interest Income 8 and 22
Interest—Late Payment of Tax 18
Interest—Penalty on Early Withdrawal of Savings 12
Itemized Deductions—
You Choose To Itemize Deductions 14
You MUST Itemize Deductions 13

K
Keogh Plan—Deduction for 12

M
Married Persons—
Joint or Separate Returns 5
Special Rule for Aliens 5
Who Live Apart 5
Medical and Dental Expenses 19
Miscellaneous Itemized Deductions 22
Mortgage Interest Credit 14 and 20
Moving Expenses 11

N
Nonresident Alien—
Exemption for Spouse 6
Filing a Joint Return 5
Who Must File 3
Nontaxable Income (Examples) 7

O
Original Issue Discount (OID) 8 and 22
Other Income 11
Other Taxes 15

P
Partnerships 26
Payments 15
Penalty—
Early Withdrawal of Savings 12
F frivolous Return 18
Late Filing 18
Late Payment 18
Other 18
Underpayment of Estimated Tax 17
Pensions and Annuities 9 and 10
Political Campaigns—
Credit 14
Presidential Election \$1 Check-off 5
Preparer—Did You Have Someone Else Prepare
Your Return? 18
Privacy and Paperwork Reduction Act Notice 48
Problems, Unresolved Tax 2
Publications—See "Order Blank" 50 and 51

R
Railroad Retirement Benefits Treated as
Social Security 10
Records—How Long To Keep 18
Refund or Amount You Owe 17
Refunds, State and Local Income Taxes 9
Rent—Income (Schedule E) 25
Residence, Sale of 24
Residential Energy Credit Carryforward 14
Retirement Plan Deduction, Keogh 12
Rounding Off to Whole Dollars 8
Royalties 25

S
Sale of Residence 24
Sales Tax Tables—
Additions to the Table 20
State (Optional) 44 and 45
Self-Employment Tax 15 and 31
S Corporations 26
Social Security Benefits (and Railroad Retirement
Benefits Treated as Social Security) 10
Social Security Number 2 and 5
State and Local Income Taxes—Taxable Refunds of 9
Steps for Preparing Your Return 4
Student Dependents—Exemption for 6
Substitute Tax Forms 19

T
Tax—
Computation 13
Computation by IRS 13
Other Methods of Computing 14
Other—
Accumulation Distribution of Trusts 14
Alternative Minimum Tax on Tax Preference
Items 15
Individual Retirement Arrangements (IRAs) 15
Lump-Sum Distributions—10-Year Averaging 14
Penalty Under Section 72 15
Recapture of Investment Credit 15
Self-Employment Income 15 and 31
Tax Law Changes for 1987 2
Tax Rate Schedules 43
Tax Table 37-42
Taxes You May Deduct 20
Telephone Assistance—
Federal Tax Information 46, 47, and 49
Tele-Tax Information 46 and 47
Tip Income 8 and 15
Trusts—Foreign 23

U
Unemployment Compensation 10
U.S. Citizens and Resident Aliens Living
Abroad 3 and 8

W
When To File 3
Where To File 18
Which Form To File 3
Who Must File 3
Who Should File 3
Widows and Widowers, Qualifying 6
Winnings—Prizes, Gambling, and Lotteries
(Other Income) 11
Withholding—Federal Income Tax 15
Working Married Couples—Deduction for 12

DETACH AT THIS LINE

Print or type your name and address on this label. It will be used to speed your order for forms to you.



Name

Number and street

City or town, state, and ZIP code

Save Time! Participating libraries have IRS tax forms available for copying and reference sets of Tax Information Publications. Also, participating banks, post offices, and libraries stock Forms 1040, 1040A, 1040EZ, their Instructions, and Schedules A&B and W.