

Instructions for Form

# 1040

and Schedules  
A, B, C, D, E,  
EIC, F, and SE

# 1991



Department of the Treasury  
**Internal Revenue Service**

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



Department  
of the  
Treasury

Internal  
Revenue  
Service

# Instructions for Form 1040

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## Avoid Common Mistakes

This checklist is to help you make sure you fill out your form correctly. Errors may delay your refund.

1. If a child lived with you and your adjusted gross income on Form 1040, line 31, is under \$21,250, read the instructions for new **Schedule EIC** that begin on page 45 to see if you can take the earned income credit.
2. If you are taking the standard deduction and you check any box on line 33a or 33b, be sure you see page 23 to find the amount to enter on line 34.
3. If you (or your spouse if you can check the box on line 6b) were 65 or older or blind, check the appropriate boxes on line 33a.
4. If your parents (or someone else) can claim you as a dependent on their 1991 return (even if they choose not to claim you), check the box on line 33b.
5. If you owe self-employment tax, enter one-half of that tax on Form 1040, line 25.
6. Make sure your name, address, and social security number are correct on the label.
7. If you are married filing a joint return and didn't get a label, or you are married filing a separate

return, enter your spouse's social security number in the space provided on page 1 of Form 1040.

8. Check your computations (additions, subtractions, etc.) especially when figuring your total income, Federal income tax withheld, and your refund or amount you owe.
9. Attach your W-2 form(s) and any other required forms and schedules. Be sure you put all forms and schedules in the proper order. See **Step 6** on page 10.
10. Don't forget to sign and date Form 1040 and enter your occupation.

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## A Note From the Commissioner

Dear Taxpayer:

I thank each of you reading this letter for doing your part to keep our tax system the finest in the world. It works well because so many of you do your best to pay your fair share. As countries around the world embrace our way of life, it is a reminder that government in a free country can only be financed through voluntary compliance and the support of the public it serves.

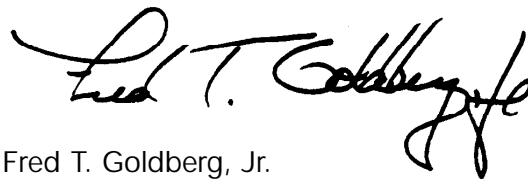
We have been working for many months to make this filing season the best ever. This will mean prompt refunds, accurately filed and processed returns, tax forms when and where you need them, and the right answers and assistance from courteous, respectful employees. Electronic filing is now available for everyone. We're testing exciting new approaches by letting certain taxpayers file by telephone and by doing the math for taxpayers who ask for our help.

I also want to make clear our commitment to a decade of fundamental change. Your government must simplify

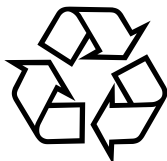
the tax law. We must make it far easier to deal with the IRS. All of you who try to pay your fair share have every right to expect that the IRS will make sure others do the same. As citizens who "own" the government, you should insist that we make the best use of your tax dollars.

We are dedicated to reaching these goals. The journey requires us to modernize our computer systems; to help taxpayers do what's right in paying what they owe; to meet the highest standards of quality; to promote the highest ethical standards; and to assure diversity in our work force.

You have every right to demand that we deliver. I think we're making progress. With your support and oversight, we'll get there. Don't settle for less.



Fred T. Goldberg, Jr.



### Recycling

The tax forms and instructions you received are printed on recyclable paper. If your community has a recycling program, please recycle. (Remember to keep a copy of your return and any worksheets you used for your records.) The Internal Revenue Service tries to use recycled paper for all of its forms and instructions.



### Fast Filing

Last year over 7.5 million people filed their tax returns electronically by computer. Electronic filing is a fast and accurate way to file your return with the IRS. If you are expecting a refund, it will be issued within 3 weeks from the time the IRS accepts your return. If you have your refund directly deposited into your savings or checking account, you could receive your money even faster. Even if you are not expecting a refund, electronic filing is still a fast and accurate way to file your return.

Many professional tax preparers offer electronic filing in addition to their preparation services. A paid preparer must sign your **Form 8453**, U.S. Individual Income Tax Declaration for Electronic Filing. Even if you prepare your own return, a preparer or transmitter in your area can file your return electronically for you. For more information on electronic filing, see **Tele-Tax Information** in the index (topic no. 112).

# 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 first tell you our legal right to ask for the information, why we are asking for it, and how it will be used. We must also tell you 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.

This notice applies to tax returns and any papers filed with them. It also applies to 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 tax 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 says 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.

## The Time It Takes To Prepare Your Return

We try to create forms and instructions that are accurate and can be easily understood. Often this is difficult to do because some of the tax laws enacted by Congress are very complex. For some people with income mostly from wages, filling out the forms is easy. For others who have businesses, pensions, stocks, rental income or other investments, it is more difficult.

## We Welcome Comments on Forms

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms more simple, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer, T:FP; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-0074), Washington, DC 20503.

**Do not** send your return to either of these offices. Instead, see **Where Should I File?** on page 9.

## Estimated Preparation Time

The time needed to complete and file the following forms will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to the IRS
Form 1040	3 hr., 8 min.	2 hr., 31 min.	3 hr., 23 min.	41 min.
Sch. A (1040)	2 hr., 32 min.	25 min.	1 hr., 9 min.	27 min.
Sch. B (1040)	33 min.	9 min.	17 min.	20 min.
Sch. C (1040)	6 hr., 13 min.	1 hr., 5 min.	1 hr., 57 min.	25 min.
Sch. D (1040)	51 min.	54 min.	1 hr., 7 min.	41 min.
Sch. D-1 (1040)	13 min.	- - - -	13 min.	35 min.
Sch. E (1040)	2 hr., 52 min.	1 hr., 6 min.	1 hr., 16 min.	35 min.
Sch. EIC (1040)	40 min.	19 min.	51 min.	55 min.
Sch. F (1040):				
Cash Method	4 hr., 2 min.	34 min.	1 hr., 19 min.	20 min.
Accrual Method	4 hr., 22 min.	26 min.	1 hr., 20 min.	20 min.
Sch. R (1040)	20 min.	16 min.	21 min.	35 min.
Sch. SE (1040):				
Short	20 min.	13 min.	10 min.	14 min.
Long	26 min.	22 min.	38 min.	20 min.

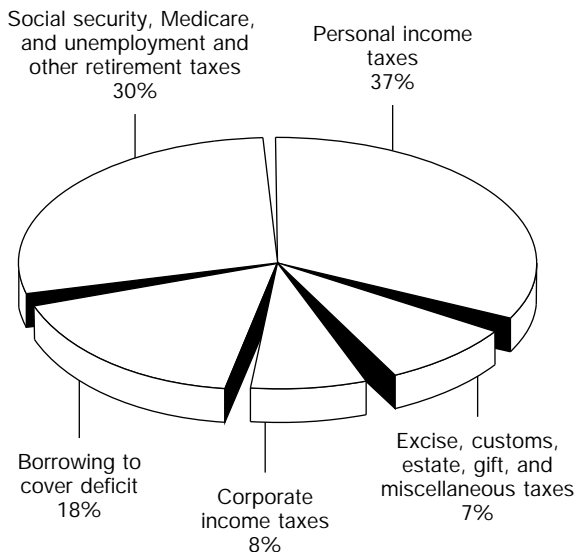
# Major Categories of Federal Income and Outlays for Fiscal Year 1990

In fiscal year 1990, which began on October 1, 1989, and ended on September 30, 1990, Federal income was \$1,031.3 billion and outlays were \$1,251.7 billion, leaving a deficit of \$220.4 billion. The budget deficit is financed largely by government borrowing from the public. The government borrows from the public by selling bonds and other debt securities to private citizens, banks, businesses, and other governments.

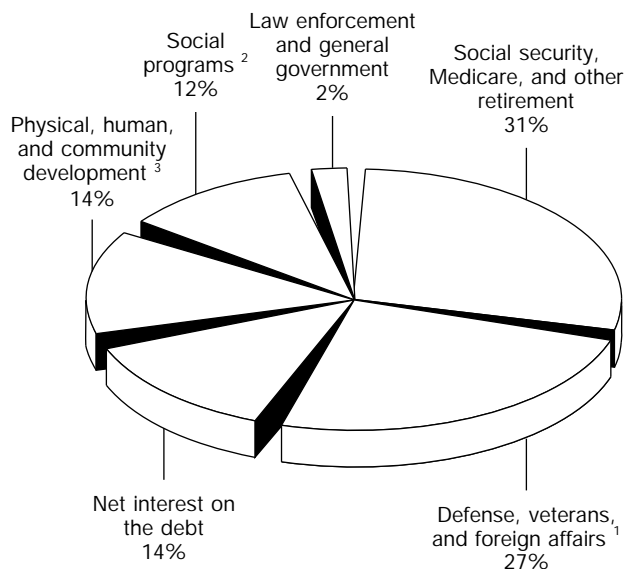
The pie charts on this page show the relative sizes of the major categories of Federal income and outlays for fiscal year 1990.

## Income and Outlays

### Where the Income Came From:



### What the Outlays Were:



<sup>1</sup> About 23% was for defense; 2% was for veterans benefits and services; and 1% was for foreign affairs including military and economic assistance to foreign countries and the maintenance of U.S. embassies abroad.

<sup>2</sup> About 7% was spent to fund Medicaid, food stamps, aid to families with dependent children, supplemental security income, and related programs. About 5% was spent for health research and public health programs, unemployment compensation, assisted housing, and social services.

<sup>3</sup> This category consists of agricultural programs; natural resources and environmental programs; transportation programs; aid for elementary and secondary education and direct assistance to college students; job training programs; economic development programs including deposit insurance; and space, energy, and general science programs.

# Section 1.

## Before You Fill Out Form 1040

**Operation Desert Storm/Desert Shield.** If you were a participant in Operation Desert Storm or Desert Shield, see **Tele-Tax Information** (topic no. 468) for more information, including extensions of deadlines for taking care of tax matters such as filing returns, making contributions to an IRA, or paying taxes.

### What's New for 1991?

**New Earned Income Credit Rules.** If you earned less than \$21,250 and a qualifying child lived with you, you may be able to take the earned income credit for 1991. The credit is now made up of three parts—the basic credit, the health insurance credit, and the extra credit for a child born in 1991. You can take each part that applies to you. You may be able to take the credit even if your filing status is single. In most cases, the child does not have to be your dependent. But the child must meet certain age and other conditions. Read the instructions for **Schedule EIC** that begin on page 45 to see if you can take the credit. Also, read Part I of Schedule EIC to see if you have a qualifying child.

**Social Security Numbers for Dependents Age 1 or Older.** If you can claim any person age 1 or older as a dependent, show that person's social security number on your return. If your dependent does not have a number, see the instructions for line 6c, column (3), on page 13.

**Deduction for Exemptions.** The deduction for each exemption—for you, your spouse, and dependents—has increased to \$2,150. But your deduction may be reduced or eliminated if your adjusted gross income is more than \$75,000. Read the instructions for line 36 on page 24.

**Should You Itemize or Take the Standard Deduction?** The standard deduction has increased. Because of this increase, it may be to your benefit to take the standard deduction this year even though you itemized deductions in the past. Read the instructions for line 34 on page 23.

**Itemized Deductions.** If your adjusted gross income is more than \$100,000 (\$50,000 if married filing separately), you may not be able to deduct all of your itemized deductions. Read the **Schedule A** instructions for line 26 on page 42.

Also, personal interest (such as interest on car loans and credit card balances) is no longer deductible.

**Maximum Tax Rate of 28% on Capital Gains.** If you have a net capital gain, your tax may be less if you can use Part IV of **Schedule D** to figure your tax. See Part IV of Schedule D to see if you qualify.

**Alternative Minimum Tax.** The tax rate has increased to 24%.

**Additional Information.** If you want more information about tax law changes for 1991, get **Pub. 553, Highlights of 1991 Tax Changes.** You may also find the publications listed near the end of this booklet helpful in completing your return.

### What Free Tax Help is Available?

**Tax Forms and Publications.** Most of your tax questions can be answered by reading the tax form instructions or one of our many free tax publications.

**Recorded Tax Information by Telephone.** Our **Tele-Tax** service has recorded tax information covering about 140 topics.

**Refund Information.** Tele-Tax can tell you the status of your refund.

**Telephone Help.** IRS representatives are available to help you with your tax questions. If, after reading the tax form instructions and publications, you are not sure how to fill out your return, or have a question about a notice you received from us, please call us. Use the toll-free number for your area.

**Send the IRS Written Questions.** You may send your written tax questions to your IRS District Director. If you don't have the address, you can get it by calling the number for your area.

**To find the toll-free number for your area and the pages that contain Tele-Tax Information, see "Telephone Assistance—Federal Tax Information" in the index.**

**Walk-in Help.** Assistors are available in most IRS offices throughout the country to help you prepare your return. An assistor will explain or "walk through" a Form 1040EZ, Form 1040A, or Form 1040 with Schedules A and B with you and a number of other taxpayers in a group setting. To find the location of the IRS office nearest you, look in the phone book under "United States Government, Internal Revenue Service."

**Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE).** These programs help older, disabled, low-income, and non-English-speaking people fill out their returns. Call the toll-free telephone number for your area for details. If you received a Federal income tax package in the mail, take it with you when you go for help.

**Videotaped Instructions** for completing your return are available in English and Spanish at many libraries.

**Telephone Service for Hearing-Impaired Persons** is available. **Braille Materials for the Blind** are available at regional libraries for the blind and the disabled.

**Unresolved Tax Problems.** The **Problem Resolution Program** is for taxpayers who have been unable to resolve their problems with the 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. Hearing-impaired persons who have access to TDD equipment may call 1-800-829-4059 to ask for help from Problem Resolution. This office cannot change the tax law or technical decisions. But it can help you clear up problems that resulted from previous contacts.

**Free Social Security Personal Earnings and Benefit Estimate Statement.** The Social Security Administration (SSA) can mail you a statement of your social security earnings and your estimated future benefits. To get this statement, complete a simple form and return it to the SSA. You may get a request form by writing to **Consumer Information Center**, Department 72, Pueblo, CO 81009.

### Do You Need Additional Forms or Publications?

If you do not have any tax questions and you only need tax forms and publications, you can—

- Visit your local IRS office.
- Visit a participating bank or post office for Forms 1040, 1040A, 1040EZ, Schedules A, B, and EIC, Schedules 1 and 2, and their instructions.
- Visit a participating library, which stocks a wider variety of forms and publications.
- Use the order blank near the end of the instructions. You should receive the items you order within 2 weeks from the time you mail your request.
- Call our toll-free "Forms Only" number 1-800-TAX-FORM (1-800-829-3676). The hours of operation during the filing season are **8:00 A.M. to 5:00 P.M. (weekdays)** and **9:00 A.M. to 3:00 P.M. (Saturdays)**. For callers in Alaska and Hawaii, the hours are Pacific Standard Time. For callers in Puerto Rico, the hours are Eastern Standard Time. You should receive your order within 7 to 10 working days after you call.

### Can I Use Substitute Tax Forms?

You may not use your own version of a tax form unless it meets the requirements in **Pub. 1167**. You can get Pub. 1167 by writing to the Distribution Center for your state. See the order blank near the end of the instructions for the address.

# Section 2.

## Filing Requirements

The rules under **Do I Have To File?** apply to all U.S. citizens and resident aliens. They also apply to nonresident aliens and dual-status aliens who were married to U.S. citizens or residents at the end of 1991 and who have elected to be treated as resident aliens.

**Exception.** If you were a U.S. citizen who lived in a U.S. possession or had income from a U.S. possession, different rules apply. Get **Pub. 570, Tax Guide for Individuals With Income From U.S. Possessions.**

If you were a nonresident alien at any time during 1991, except as mentioned above, different rules apply. You may have to file **Form 1040NR, U.S. Nonresident Alien Income Tax Return.** Specific rules apply to determine if you are a resident or nonresident. Get **Pub. 519, U.S. Tax Guide for Aliens.**

### Do I Have To File?

Use **Chart A** on this page to see if you must file a return. But you must use **Chart B** on page 8 if your parent (or someone else) can claim you as a dependent on his or her return. Also see **Chart C** on page 8 for other situations when you must file.

**Note:** Even if you do not have to file a return, you should file one to get a refund of any Federal income tax withheld. You should also file 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 are single and file only to get a refund of tax withheld, you may be able to use Form 1040EZ.

**Exception for Children Under Age 14.** If your child was under age 14 on January 1, 1992, and **all three** of the following apply, you may elect to report your child's income on your return. If you make this election, your child does not have to file a return.

1. Your child had income only from interest and dividends (including Alaska Permanent Fund dividends); and
2. Your child's gross income was more than \$500 but less than \$5,000; and
3. Your child had no Federal income tax withheld from his or her income (backup withholding) and did not make estimated tax payments for 1991.

If you and the child's other parent are not filing a joint return, special rules apply to determine which parent may make the election. Get **Form 8814, Parent's Election To Report Child's Interest and Dividends**, for details.

**Chart A—For Most People**

To use this chart, first find your marital status at the end of 1991. Then, read across to find your filing status and age at the end of 1991. You must file a return if your **gross income** was at least the amount shown in the last column. **Gross income** means all income you received in the form of money, goods, property, and services that is not exempt from tax, including any gain on the sale of your main home. See page 14 to find out what types of income to include.

Marital status	Filing status	Age*	Gross income
Single (including divorced and legally separated)	Single	under 65	\$5,550
		65 or older	\$6,400
	Head of household	under 65	\$7,150
		65 or older	\$8,000
Married with a child and living apart from your spouse during the last 6 months of 1991	Head of household (see page 12)	under 65	\$7,150
		65 or older	\$8,000
Married and living with your spouse at end of 1991 (or on the date your spouse died)	Married, joint return	under 65 (both spouses)	\$10,000
		65 or older (one spouse)	\$10,650
		65 or older (both spouses)	\$11,300
	Married, separate return	any age	\$2,150
Married, not living with your spouse at end of 1991 (or on the date your spouse died)	Married, joint or separate return	any age	\$2,150
	Single	under 65	\$5,550
		65 or older	\$6,400
Widowed before 1991 and not remarried in 1991	Head of household	under 65	\$7,150
		65 or older	\$8,000
		Qualifying widow(er) with dependent child (see page 12)	under 65
		65 or older	\$8,500

\* If you turned age 65 on January 1, 1992, you are considered to be age 65 at the end of 1991.

**Chart B—For Children and Other Dependents** (See the instructions for line 6c on page 13 to find out if someone can claim you as a dependent.)

If your parent (or someone else) can claim you as a dependent, and any of the four conditions listed below applies to you, you must file a return.

In this chart, **unearned income** includes taxable interest and dividends. **Earned income** includes wages, tips, and taxable scholarship and fellowship grants.

**Caution:** *If your gross income was \$2,150 or more, you usually cannot be claimed as a dependent unless you were under 19 or under 24 and a student. For details, see Test 4—Income on page 13.*

**1. Single dependents under 65.**—You must file a return if—

Your unearned income was:	and	the total of that income plus your earned income was:
\$1 or more		more than \$550
\$0		more than \$3,400

**2. Single dependents 65 or older or blind.**—You must file a return if—

- Your earned income was more than \$4,250 (\$5,100 if 65 or older **and** blind), or
- Your unearned income was more than \$1,400 (\$2,250 if 65 or older **and** blind), or
- Your gross income was more than the total of your earned income (up to \$3,400) or \$550, whichever is larger, plus \$850 (\$1,700 if 65 or older **and** blind).

**3. Married dependents under 65.**—You must file a return if—

- Your earned income was more than \$2,850, or
- You had any unearned income and your gross income was more than \$550, or
- Your gross income was at least \$5 and your spouse files a separate return on Form 1040 and itemizes deductions.

**4. Married dependents 65 or older or blind.**—You must file a return if—

- Your earned income was more than \$3,500 (\$4,150 if 65 or older **and** blind), or
- Your unearned income was more than \$1,200 (\$1,850 if 65 or older **and** blind), or
- Your gross income was more than the total of your earned income (up to \$2,850) or \$550, whichever is larger, plus \$650 (\$1,300 if 65 or older **and** blind), or
- Your gross income was at least \$5 and your spouse files a separate return on Form 1040 and itemizes deductions.

**Chart C—Other Situations When You Must File**

If any of the four conditions listed below applied to you for 1991, you must file a return.

**1. You owe any special taxes, such as:**

- Social security and Medicare tax on tips you did not report to your employer;
- Uncollected social security and Medicare or RRTA tax on tips you reported to your employer;
- Uncollected social security and Medicare or RRTA tax on your group-term life insurance;
- Alternative minimum tax;
- Tax on an individual retirement arrangement (IRA) or a qualified retirement plan; or
- Tax from recapture of investment credit, low-income housing credit, or recapture tax on the disposition of a home purchased with a federally subsidized mortgage. (See the instructions for line 49 on page 26.)

**2. You received any advance earned income credit (AEIC) payments from your employer(s).**

**3. You had net earnings from self-employment of at least \$400.**

**4. You had wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes.**

## Which Form Should I Use?

**You May Be Able To Use Form 1040EZ If:**

- You were single and do not claim any dependents.

- You were not 65 or older OR blind.
- You had **only** wages, salaries, tips, taxable scholarship and fellowship grants, and not more than \$400 of taxable interest income.
- Your taxable income is less than \$50,000.
- You did not receive any advance earned income credit (AEIC) payments.
- You do not itemize deductions or claim any adjustments to income or tax credits.

**You May Be Able To Use Form 1040A If:**

- You had income **only** from wages, salaries, tips, taxable scholarship and fellowship grants, pensions or annuities, taxable social security benefits, payments from your individual retirement account (IRA), 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 earned income credit, the deduction for certain contributions to an IRA, nondeductible contributions to an IRA, the credit for child and dependent care expenses, and the credit for the elderly or the disabled. You may use it even if you made estimated tax payments for 1991 or if you can take the exclusion of interest from series EE U.S. savings bonds issued after 1989.

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, 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 the instructions for line 34 on page 23 to see if it would benefit you to itemize.)
- You received or paid accrued interest on securities transferred between interest payment dates.
- You received any nontaxable dividends, capital gain distributions, or Alaska Permanent Fund dividends.
- You are required to fill in Part III of Schedule B for foreign accounts and foreign trusts (see page 43 of the instructions).
- You had any of the kinds of income shown on Form 1040, lines 10 through 13, 15, 18, 19, and 22, such as taxable refunds of state and local income taxes.
- You take any of the adjustments to income shown on Form 1040, lines 25 through 29, or any write-in amount included on line 30.
- You claim any of the credits on Form 1040, line 43 or 44, or a credit for fuel produced from a nonconventional source.
- You owe any of the taxes on Form 1040, lines 39, 47 through 51, or any write-in amount included on line 53.

**Note:** *If you are filing only because you owe the tax on line 51, you only have to file Form 5329.*

- You claim either of the payments on Form 1040, line 59, or a credit for overpaid windfall profit tax.

- You file any of these forms:

**Form 2555**, Foreign Earned Income.

**Form 4563**, Exclusion of Income for Bona Fide Residents of American Samoa.

**Form 8271**, Investor Reporting of Tax Shelter Registration Number.

**Form 8814**, Parent's Election To Report Child's Interest and Dividends.



## When Should I File?

You should file as soon as you can after January 1, but not later than April 15, 1992.

If you file late, you may have to pay penalties and interest. See **Penalties and Interest** on page 30.

If you know that you cannot file your return by the due date, you should file **Form 4868**, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return, by April 15, 1992.

**Caution:** *Form 4868 does not extend the time to pay your income tax. See the Instructions for Form 4868.*

If you are a U.S. citizen or resident, you may qualify for an automatic extension of time to file if, on the due date of your return, you meet one of the following conditions:

- You live outside the United States and Puerto Rico, AND your main place of business or post of duty is outside the United States and Puerto Rico.
- You are in military or naval service on duty outside the United States and Puerto Rico.

This extension gives you an extra 2 months to file and pay the tax, but interest will be charged from the original due date of the return on any unpaid tax. You must attach a statement to your return showing that you meet the requirements.

**Note:** *Desert Storm participants see Pub. 945 for special rules on when to file.*

## Where Should I File?

If an addressed envelope came with your return, please use it. If you did not receive an envelope, or if you moved during the year, mail your return to the **Internal Revenue Service Center** for the place where you live. See the chart on this page. No street address is needed. Envelopes with insufficient postage will be returned by the post office.

### Where To File

If you live in:	Use this address:
Florida, Georgia, South Carolina	Atlanta, GA 39901
New Jersey, New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester)	Holtzville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Illinois, Iowa, Minnesota, Missouri, Wisconsin	Kansas City, MO 64999
Delaware, District of Columbia, Maryland, Pennsylvania, Virginia	Philadelphia, PA 19255
Indiana, Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, 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
Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Tennessee	Memphis, TN 37501
American Samoa	Philadelphia, PA 19255
Guam	Commissioner of Revenue and Taxation 855 West Marine Dr. Agana, GU 96910
Puerto Rico (or if excluding income under section 933)	Philadelphia, PA 19255
Virgin Islands: Nonpermanent residents	
Virgin Islands: Permanent residents	V.I. Bureau of Internal Revenue Lockharts Garden No. 1A Charlotte Amalie, St. Thomas, VI 00802
Foreign country: U.S. citizens and those filing Form 2555 or Form 4563	Philadelphia, PA 19255
All A.P.O. and F.P.O. addresses	Philadelphia, PA 19255

# Section 3.

## Steps for Preparing Form 1040

Follow the six steps below to help you prepare your return. If you follow these steps and read the 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, and 1099** that you may have. If you don't get a Form W-2 by January 31, 1992, 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 17, 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.

**Itemized Deductions and Tax Credits.** Pages 25, 27, and 38 through 42 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 your home mortgage.
- Records of payments for child 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. See **Do You Need Additional Forms or Publications?** on page 6.

### Step 3—Fill in Your Return

The line instructions for Form 1040 begin on the next page. Enter any negative amounts in (parentheses) unless instructed otherwise.

### Step 4—Check Your Return To Make Sure It Is Correct

Review **Avoid Common Mistakes** on page 2.

### Step 5—Sign and Date Your Return

Form 1040 is not considered a valid return unless you sign it. Your spouse must also sign if it is a joint return. If a taxpayer died before filing a return for 1991, see **Death of Taxpayer** on page 29.

### Step 6—Attach All Required Forms and Schedules

Attach the first copy or Copy B of Forms W-2 and W-2G to the front of Form 1040. If you received a 1991 Form 1099-R showing Federal income tax withheld, also attach the first copy or Copy B of that Form 1099-R to the front of Form 1040. (The amount of Federal income tax withheld should be shown in Box 4 of Form 1099-R.)

Attach all other schedules and forms behind Form 1040 in order of the "Attachment Sequence No." 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 at the end of your return.

If you need more space on forms or schedules, attach separate sheets. 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 the 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 on top of any Form(s) W-2, W-2G, and 1099-R.

# Section 4.

## Line Instructions for Form 1040

### Name, Address, and Social Security Number

**Why Use the Label?** The mailing label on the front of the instruction booklet is designed to speed processing at Internal Revenue Service centers and prevent common errors that delay refund checks. But do not attach the label until you have finished your return. Cross out any errors and print the correct information on the label. Add any missing items (such as your apartment 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.*

Besides your name, address, and social security number, the label contains various code numbers and letters. The diagram below explains what these numbers and letters mean.

**What if I Do Not Have a Label?** If you didn't receive a label, print or type the information in the spaces provided. But if you are married filing a separate return, do not enter your husband's or wife's name here. Instead, show his or her name in the space provided on line 3.

**Name Change.** If you changed your name because of marriage, divorce, etc., be sure to report this to the Social Security Administration so that it has the same name in its records that you have on your tax return. This

prevents delays in processing your return and safeguards your future social security benefits.

**Deceased Taxpayer.** See **Death of Taxpayer** on page 29.

**Social Security Number.** Enter your social security number in the area marked "Your social security number." If you are married, enter your husband's or wife's social security number in the area marked "Spouse's social security number." Be sure that the number you enter agrees with the number shown on your social security card. Also check that your social security number is correct on your Forms W-2 and 1099. See page 29 for more details.

If you don't have a social security number, get **Form SS-5** from your local Social Security Administration (SSA) office. Fill it out and return it to the SSA office. If you do not receive a number by the time your return is due, enter "Applied for" in the space for the number.

**Nonresident Alien Spouse.** If your spouse is a nonresident alien and you file a joint return, your spouse must get a social security number. If you file a separate return and your spouse has no social security number and no income, enter "NRA" in the space for your spouse's number.

**P.O. Box.** If your post office does not deliver mail to your home and you have a P.O. box, show your P.O. box number instead of your home address.

**Foreign Address.** If your address is outside of the United States or its possessions or territories, enter the information on the line for "City, town or post office, state, and ZIP code" in the following order: city, province

or state, postal code, and the name of the country. Do **not** abbreviate the country name.

### Presidential Election Campaign Fund

Congress set up this fund to help pay for Presidential election costs. If you want \$1 of your tax to go to this fund, check the "Yes" box. If you are filing a joint return, your spouse may also have \$1 go to the fund. If you check "Yes," your tax or refund will not change.

### Filing Status

In general, your filing status depends on whether you are considered single or married. The filing statuses are listed below. The one that will usually give you the highest tax is listed first and the ones that will usually give you the lowest tax are listed last.

- Married filing a separate return
- Single
- Head of household
- Married filing a joint return or Qualifying widow(er) with dependent child.

If more than one filing status applies to you, choose the one that will give you the lowest tax.

### Line 1

#### Single

You may check the box on line 1 if **any** of the following was true on December 31, 1991:

- You were never married, or
- You were legally separated, according to your state law, under a decree of divorce or of separate maintenance, or
- You were widowed before January 1, 1991, and did not remarry in 1991.

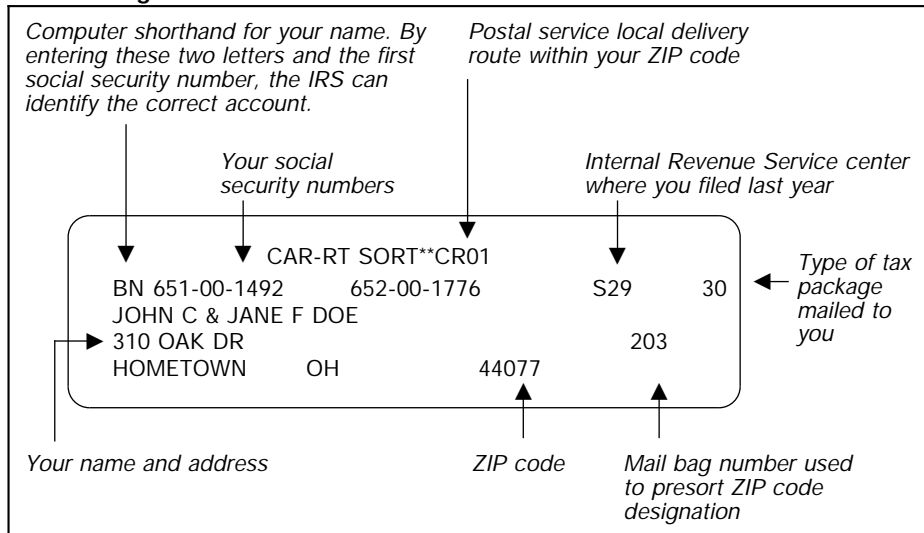
If you had a child living with you, you may be able to take the earned income credit on line 56. Read the instructions for Schedule EIC that begin on page 45 to see if you can take the credit.

### Line 2

#### Married Filing Joint Return

You may check the box on line 2 if **any** of the following is true:

#### Your Mailing Label—What Does It Mean?



- You were married as of December 31, 1991, even if you did not live with your spouse at the end of 1991, or
- Your spouse died in 1991 and you did not remarry in 1991, or
- Your spouse died in 1992 before filing a 1991 return. For details on how to file the joint return, see **Death of Taxpayer** on page 29.

A husband and wife may file a joint return even if only one had income or if they did not live together all year. However, both persons must sign the return and both are responsible. This means that if one spouse does not pay the tax due, the other may have to.

If you file a joint return for 1991, you may not, after the due date for filing that return, amend that return to file as married filing a separate return.

**Special Rule for Aliens.** If at the end of 1991 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 **Pub. 519**, U.S. Tax Guide for Aliens.

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## Line 3

### Married Filing Separate Return

If you file a separate return, you will generally pay more tax. But you may want to figure your tax both ways (married filing joint and married filing separate) to see which filing status is to your benefit. If you file a separate return, **all** the following apply:

- You cannot take the standard deduction if your spouse itemizes deductions.
- You cannot take the credit for child and dependent care expenses in most cases.
- You cannot take the earned income credit.
- You cannot exclude the interest from series EE U.S. savings bonds issued after 1989, even if you paid higher education expenses in 1991.
- You cannot take the credit for the elderly or the disabled if you lived with your spouse at any time in 1991.
- You may have to include in income up to one-half of any social security or equivalent railroad retirement benefits you received in 1991.
- Generally, you report only your own income, exemptions, deductions, and credits. Different rules apply to people who live in community property states. See page 14.

But you may be able to file as head of household if you had a child living with you, and you lived apart from your spouse during the last 6 months of 1991. See **Married Persons Who Live Apart** on this page.

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## Line 4

### Head of Household

This filing status is for unmarried individuals who provide a home for certain other persons. Also, if you were married in 1991, had a child living with you, and lived apart from your spouse during the last 6 months of

1991, you may be able to file as head of household. See **Married Persons Who Live Apart** below.

You may check the box on line 4 **only** if on December 31, 1991, you were unmarried or legally separated and:

- You paid over half the cost of keeping up a home for the entire year, that was the main home of your **parent** whom you claim as a dependent. Your parent did not have to live with you in your home; **or**
- You paid over half the cost of keeping up a home in which you lived and in which one of the following also lived for more than 6 months of the year (temporary absences, such as for vacation or school, are counted as time lived in the home):
  1. Your **unmarried** child, grandchild, great-grandchild, etc., adopted child, or stepchild. This child does not have to be your dependent. But your foster child must be your dependent.
  2. Your **married** child, grandchild, great-grandchild, etc., 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 13 for **Children of Divorced or Separated Parents**, this child does not have to be your dependent.
  3. Any other relative whom you can claim as a dependent. For the definition of a relative, see the instructions for line 6c.

To find out what is included in the cost of keeping up a home, get **Pub. 501**, Exemptions, Standard Deduction, and Filing Information. To find out if someone is your dependent, see the instructions for line 6c.

If the person for whom you kept up a home was born, or died, during 1991, you may still file as head of household as long as the home was that person's main home for the part of the year he or she was alive.

You **do not** qualify as head of household if your child, parent, or relative described above is your dependent under the rules for **Person Supported by Two or More Taxpayers** (see page 13).

**Aid to Families With Dependent Children (AFDC) and Other Public Assistance Programs.** If you used payments you received under the AFDC program or other public assistance programs to pay part of the cost of keeping up your home, you cannot count them as money you paid. But you must include them in the total cost of keeping up your home to figure if you paid over half of the cost.

**Married Persons Who Live Apart.** Even if you were not divorced or legally separated in 1991, you may be considered unmarried and file as head of household. You may also be able to take the credit for child and dependent care expenses and the earned income credit. You can take the standard deduction even if your spouse itemizes deductions.

You may check the box on line 4 if **all five** of the following apply:

1. You file a separate return from your spouse.
2. You lived apart from your spouse during the last 6 months of 1991.
3. You paid over half the cost of keeping up your home for 1991.

4. Your home was the main home of your child, stepchild, adopted child, or foster child for more than 6 months of 1991.

5. You claim this child as your dependent or the child's other parent claims him or her under the rules on page 13 for **Children of Divorced or Separated Parents**.

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## Line 5

### Qualifying Widow(er) With Dependent Child

If your spouse died in 1989 or 1990 and you did not remarry in 1991, you may be able to file as qualifying widow(er) with dependent child and use joint return tax rates for 1991. You may check the box on line 5 if **all four** of the following apply:

1. You have a child, stepchild, adopted child, or foster child whom you can claim as a dependent.
2. This child lived in your home for all of 1991 (except for temporary absences, such as for vacation or school).
3. You paid over half the cost of keeping up your home for this child.
4. You could have filed a joint return with your spouse the year he or she died, even if you didn't actually do so.

**Do not** claim an exemption for your spouse.

If your spouse died in 1991, you may not file as qualifying widow(er) with dependent child. Instead, see the instructions for line 2.

If you can't file as qualifying widow(er) with dependent child, see the instructions for line 4 to find out if you can file as head of household. You must file as single if you can't file as qualifying widow(er) with dependent child, married filing a joint return, or head of household.

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## Exemptions

For each exemption you can take, you generally can deduct \$2,150 on line 36.

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## Line 6a

### Yourself

Check the box on line 6a **unless** your parent (or someone else) can claim you as a dependent (even if that person chose not to claim you).

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## Line 6b

### Spouse

If you file a joint return and your spouse cannot be claimed as a dependent on another person's return, check the box on line 6b. If you file a separate return, you can take an exemption for your spouse only if your spouse is not filing a return, had no income, and cannot be claimed as a dependent on another person's return.

If, at the end of 1991, you were divorced or legally separated, you cannot take an exemption for your former spouse. If your divorce was not final (an interlocutory decree), you are considered married for the whole year.

**Death of Your Spouse.** If your spouse died in 1991 and you did not remarry before the end of 1991, check the box on line 6b if you could have taken an exemption for your spouse on the date of death. For other filing instructions, see **Death of Taxpayer** on page 29.

**Nonresident Alien Spouse.** If you do not file a joint return, you can take an exemption for your nonresident alien spouse only if your spouse had no income from U.S. sources and is not the dependent of another taxpayer. Check the box on line 6b if you can take an exemption for your spouse and enter "NRA" to the right of the word "Spouse" on line 6b.

## Line 6c

### Dependents

You can take an exemption for each of your dependents who was alive during some part of 1991. This includes a baby born in 1991 or a person who died in 1991. Any person who meets **all five** of the following tests qualifies as your dependent.

#### Test 1—Relationship

The person must be your relative (see **Exception** at the end of **Test 1**). The following are considered your relatives:

- Your child, stepchild, adopted child; a child who lived in your home as a family member, if placed with you by an authorized placement agency for legal adoption; or a foster child (any child who lived in your home as a family member for the whole year).
- Your grandchild, great-grandchild, etc.
- Your son-in-law, daughter-in-law.
- Your parent, stepparent, parent-in-law.
- Your grandparent, great-grandparent, etc.
- Your brother, sister, half brother, half sister, stepbrother, stepsister, brother-in-law, sister-in-law.
- If related by blood, your aunt, uncle, nephew, niece.

Any relationships established by marriage are not treated as ended by divorce or death.

**Exception.** A person who lived in your home as a family member for the entire year can also be considered a dependent. But the relationship must not violate local law.

#### Test 2—Married Person

If the person is married and files a joint return, you cannot take the exemption for the person. However, if neither the person nor the person's spouse is required to file, but they file a joint return only to get a refund of all tax withheld, you may claim him or her if the other four tests are met.

#### Test 3—Citizen or Resident

The person must be **one** of the following:

- A U.S. citizen or resident alien, or
- A resident of Canada or Mexico, or
- Your adopted child who is not a U.S. citizen, but who lived with you all year in a foreign country.

#### Test 4—Income

Generally, the person's gross income must be less than \$2,150. Gross income does not include nontaxable income, such as welfare

benefits or nontaxable social security benefits.

Income earned by a permanently and totally disabled person for services performed at a sheltered workshop school is generally not included for purposes of the income test. Get **Pub. 501**, Exemptions, Standard Deduction, and Filing Information, for details.

**Exception for Your Child.** Your child can have gross income of \$2,150 or more if:

1. Your child was **under age 19** at the end of 1991, **or**
2. Your child was **under age 24** at the end of 1991 **and** qualifies as a **student**.

Your child is a student if he or she:

- Was enrolled as a student at a school during any 5 months of 1991 for the number of hours or classes that the school considers to be full time, or
- Took a full-time, on-farm training course during any 5 months of 1991. (The course had to be given by a school or a state, county, or local government agency.)

*School* includes technical, trade, and mechanical schools. It does not include on-the-job training courses or correspondence schools.

#### Test 5—Support

The general rule is that you had to provide over half the person's total support in 1991. If you file a joint return, support can come from either spouse. If you remarried, the support provided by your new spouse is treated as support coming from you. For exceptions to the support test, see **Children of Divorced or Separated Parents and Person Supported by Two or More Taxpayers** on this page.

Support includes food, a place to live, clothing, medical and dental care, and education. It also includes items such as a car and furniture, but only if they are for the person's own use or benefit. In figuring total support, use the actual cost of these items. However, figure the cost of a place to live at its fair rental value. Also include in total support money the person used for his or her own support, even if this money was not taxable. Examples are gifts, savings, social security and welfare benefits, and other public assistance payments. This support is treated as **not** coming from you.

Total support **does not** include items such as income tax, social security and Medicare tax, life insurance premiums, scholarship grants, or funeral expenses.

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

**Children of Divorced or Separated Parents.** Special rules apply to determine if the support test is met for children of divorced or separated parents. The rules also apply to children of parents who did not live together at any time during the last 6 months of the year, even if they do not have a separation agreement. For these rules, a **custodial parent** is the parent who had custody of the child for most of the year. A **noncustodial parent** is the parent who had custody for the shorter period or who did not have custody at all.

The general rule is that the custodial parent is treated as having provided over half of the child's total support if both parents together paid over half of the child's support.

This means that the custodial parent can claim the child as a dependent if the other dependency tests are also met.

But, if you are the noncustodial parent, you are treated as having provided over half of the child's support and can claim the child as a dependent if both parents together paid over half of the child's support, the other dependency tests are met, and **either** 1 or 2 below applies:

1. The custodial parent agrees not to claim the child's exemption for 1991 by signing **Form 8332** or a similar statement. But you (as the noncustodial parent) **must** attach this signed Form 8332 or similar statement to your return. Instead of attaching Form 8332, you can attach a copy of certain pages of your divorce decree or separation agreement, if it went into effect after 1984 (see **Children Who Didn't Live With You Due to Divorce or Separation** on page 14), **or**

2. Your divorce decree or written separation agreement went into effect before 1985 and it states that you (the noncustodial parent) can claim the child as a dependent. But you must have given at least \$600 for the child's support in 1991. Also, you must check the pre-1985 agreement box on line 6d. This rule does not apply if your decree or agreement was changed after 1984 to say that you cannot claim the child as your dependent.

**Person Supported by Two or More Taxpayers.** Sometimes two or more taxpayers together pay over 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 Tests 1 through 4 on this page are met. In addition, the taxpayer who claims the person as a dependent must:

- a. Have paid over 10% of that person's support, and

- b. Attach to his or her tax return a signed **Form 2120**, Multiple Support Declaration, from every other person who paid over 10% of the support. This form states that the person who signs it will not claim the person he or she helped to support as a dependent for 1991.

### Columns (1) through (5)

After you have figured out who you can claim as a dependent, fill in the columns on line 6c. If you have more than six dependents, attach a statement to your return. Give the same information as in columns (1) through (5) for each dependent.

**Column (1).** Enter the name of each dependent.

**Column (2).** If your dependent was under age 1 on December 31, 1991, put a check mark in column (2).

**Column (3).** Any dependent age 1 or older must have a social security number. You must enter that number in column (3). If you do not enter it or if the number is wrong, you may have to pay a \$50 penalty.

Your dependent can get a number by filing **Form SS-5** with your local Social Security Administration (SSA) office. It usually takes about 2 weeks to get a number. If your dependent won't have a number when you are ready to file your return, ask the SSA to give you a **Form SSA-5028**, Receipt for Application for a Social Security Number. When you file your return, enter "Applied for" in column (3). If you got a Form SSA-5028, attach a

copy of it to your return. If your dependent lives in Canada or Mexico, see Pub. 501 for details on how to get a social security number.

**Column (4).** Enter your dependent's relationship to you. For example, if the dependent is your child, enter "son" or "daughter."

**Column (5).** Enter the number of months your dependent lived with you during 1991. (Do not enter more than 12.) Temporary absences such as school or vacation are counted as time living in your home. If your dependent was born, or died, during 1991, enter "12" in this column. If your dependent lived in Canada or Mexico during 1991, don't enter a number. Instead, enter the letter "F" (for foreign).

**Children Who Didn't Live With You Due to Divorce or Separation.** If you are claiming a child who didn't live with you under the rules on page 13 for **Children of Divorced or Separated Parents**, enter the total number of such children on the line to the right of line 6c labeled "No. of your children on 6c who: didn't live with you due to divorce or separation." If you put a number on this line, you **must** do one of the following:

- **Check the box on line 6d** if your divorce decree or written separation agreement was in effect before 1985, and it states that you can claim the child as your dependent.
- Attach **Form 8332** or similar statement to your return. If your divorce decree or separation agreement went into effect after 1984 and it unconditionally states that you can claim the child as your dependent, you may attach a copy of the following pages from the decree or agreement instead of Form 8332:

1. Cover page (enter the other parent's social security number on this page),
2. The page that unconditionally states you can claim the child as your dependent, and
3. Signature page showing the date of the agreement.

**Other Dependent Children.** Enter the total number of children who did not live with you for reasons other than divorce or separation on the line labeled "No. of other dependents on 6c." Include dependent children who lived in Canada or Mexico during 1991.

## Income

### Examples of Income You Must Report

The following kinds of income must 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.

Scholarship and fellowship grants. (See the instructions for line 7.)

Original Issue Discount (Schedule B).

Distributions from SEPs and DECAs.

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).

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 premiums you paid.

Your share of income from S corporations, partnerships, estates, and trusts (Schedules B, D, or E).

Endowments.

Lump-sum distributions (Form 4972). (See page 18.)

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

Gain from the sale of your main home (Schedule D and Form 2119).

Accumulation distributions from trusts (Form 4970).

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

Earned income (such as wages and tips) from sources outside the United States (Form 2555).

Unearned income (such as interest, dividends, and pensions) from sources outside the United States unless exempt by law or a tax treaty.

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 **Pub. 54**, Tax Guide for U.S. Citizens and Resident Aliens Abroad, for more details.

### 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 Department of Veterans' Affairs.

Workers' compensation benefits, insurance, damages, etc., for injury or sickness. (Punitive damages received in cases not involving physical injury or sickness usually must be reported as income. Get **Pub. 525**, Taxable and Nontaxable Income.)

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.

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. (Reimbursements for normal living expenses must be reported as income.)

Certain amounts received as a scholarship grant (see the instructions for line 7).

Cancellation of certain student loans if, under the terms of the loan, the student performs certain professional services for any of a broad class of employers (get **Pub. 520**, Scholarships and Fellowships).

## Community Property States

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

If you and your spouse lived 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
- None of the community income you earned is transferred to your spouse.

For details, get **Pub. 555**, Federal Tax Information on Community Property.

## Rounding Off to Whole Dollars

You may round off cents to the nearest whole dollar on your return and schedules. To do so, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$129.39 becomes \$129 and \$235.50 becomes \$236.

If you do round off, do so for all amounts. However, if you have to add two or more amounts to figure the amount to enter on a line, include cents when adding and only round off the total. **Example.** You received two W-2 forms, one showing wages of \$5,000.55 and one showing wages of \$18,500.73. On Form 1040, line 7, you would enter \$23,501 (\$5,000.55 + \$18,500.73 = \$23,501.28).

## 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 a joint return, be sure to include your spouse's income on line 7.

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 and Medicare tax due on these tips on line 50—see the instructions on page 26.)

You must report as income the amount of allocated tips shown on your W-2 form(s) unless you can prove a smaller amount with adequate records. Allocated tips should be shown in Box 7 of your W-2 form(s). They are not included in Box 10 of your W-2 form(s). For details on allocated tips, get **Pub. 531**, Reporting Income From Tips.

- Corrective distributions of excess salary deferrals.
- Corrective distributions of excess contributions and excess aggregate contributions to a retirement plan.
- Disability pensions if you have not reached the minimum retirement age set by your employer.

**Note:** Disability pensions received after you reach your employer's minimum retirement age and other pensions shown on **Form 1099-R** (other than payments from an IRA) are reported on lines 17a and 17b of Form

1040. Payments from an IRA are reported on lines 16a and 16b.

- Payments by insurance companies, etc., not included on Form W-2. If you received 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 details on withholding of Federal income tax from your sick pay.)

- 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 to you at work if they were provided for your employer's convenience. Also don't 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 **Pub. 525**, Taxable and Nontaxable Income.

**Statutory Employees.** If you were a statutory employee, the "Statutory employee" box in Box 6 of your W-2 form should be checked. Statutory employees include full-time life insurance salespeople, certain agent or commission drivers and traveling salespeople, and certain homeworkers.

If you are deducting business expenses as a statutory employee, report the amount shown in Box 10 of your W-2 form and your expenses on Schedule C. If you are not deducting business expenses, report your income on line 7.

**Employer-Provided Vehicle.** If you used an employer-provided vehicle for both personal and business purposes and 100% of the annual lease value of the vehicle was included in the wages box (Box 10) of your W-2 form, you may be able to deduct the business use of the vehicle on Schedule A. But you must use **Form 2106**, Employee Business Expenses, to do so. The total annual lease value of the vehicle should be shown in Box 23 of your W-2 form or on a separate statement. For more details, get **Pub. 917**, Business Use of a Car.

**Excess Salary Deferrals.** If you chose to have your employer contribute part of your pay to certain retirement plans (such as a 401(k) plan or the Federal Thrift Savings Plan) instead of having it paid to you, your W-2 form should have the "Deferred compensation" box in Box 6 checked. The amount deferred should be shown in Box 17. The total amount that may be deferred for 1991 under all plans is generally limited to \$8,475. But amounts deferred under a tax-sheltered annuity plan may have a higher limit. For details, get **Pub. 575**, Pension and Annuity

Income (Including Simplified General Rule). Any amount deferred in excess of these limits must be reported on Form 1040, line 7.

**Caution:** You may **not** deduct the amount deferred. It is not included in Box 10 of your W-2 form.

**Employer-Provided Dependent Care Benefits (DCB).** If you received benefits under your employer's dependent care plan, you may be able to exclude part or all of them from your income. But you must use **Form 2441**, Child and Dependent Care Expenses, to do so. The benefits should be shown in Box 22 of your W-2 form(s).

First, go to Form 2441 and fill in Parts I and III. Include any taxable benefits from line 26 of that form on Form 1040, line 7. On the dotted line next to line 7, enter "DCB."

**Caution:** If you have a child who was born in 1991 and you earned less than \$21,250, you may be able to take the extra credit for a child born in 1991 on **Schedule EIC**. But you **cannot** take the extra credit and the exclusion of employer-provided dependent care benefits for the same child. To see which would benefit you more, read **A Change To Note** in the Instructions for Form 2441.

**Scholarship and Fellowship Grants.** If you received a scholarship or fellowship that was granted after August 16, 1986, part or all of it may be taxable even if you didn't receive a W-2 form.

If you were a degree candidate, the amounts you used for expenses other than tuition and course-related expenses are taxable. For example, amounts used for room, board, and travel are taxable.

If you were not a degree candidate, the full amount of the scholarship or fellowship is taxable.

Include the taxable amount not reported on a W-2 form on line 7. Then enter "SCH" and the taxable amount not reported on a W-2 form on the dotted line next to line 7.

## Line 8a Taxable Interest Income

Report **all** of your taxable interest income on line 8a even if it is \$400 or less. If the total is more than \$400 or if you are claiming the exclusion of interest from series EE U.S. savings bonds issued after 1989, first fill in Schedule B (see page 43).

Report any interest you received or that was credited to your account so you could withdraw it even if it wasn't entered in your passbook. Interest credited in 1991 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 1991 income. For details, get **Pub. 550**, Investment Income and Expenses.

The payer should send you a **Form 1099-INT** or, if applicable, a **Form 1099-OID** for this interest. A copy of the form is also sent to the IRS.

If you received, as a nominee, interest that actually belongs to someone else, see the Schedule B instructions on page 43.

**Caution:** Be sure each payer of interest income has your correct social security number. Otherwise, the payer may withhold

20% of the interest. You may also be subject to penalties.

## Examples of Taxable 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. See Pub. 550.

- 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. (Report interest on other state and local bonds and securities on line 8b.) Also report as interest on line 8a 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. For taxable bonds acquired after 1987, reduce your interest income on the bonds by the amount of any amortizable bond premium. **Do not** deduct the premium as interest expense on Schedule A. See the Schedule B instructions on page 43.

- 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 in 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. You may not change to method **a** unless you complete **Form 3115** and attach it to your tax return. See Pub. 550 for details.

**Note:** If you receive a 1991 Form 1099-INT for U.S. savings bond interest that includes amounts you reported before 1991, see Pub. 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. The taxable OID may be more or less than the amount shown on Form 1099-OID.

If you bought a corporate debt instrument at original issue and held it for all of 1991 or the part of 1991 that it was outstanding, include in interest income the total OID from Form 1099-OID. Get **Pub. 1212**, List of Original Issue Discount Instruments, to figure the taxable OID for other corporate debt instruments and noncorporate debt instruments (such as zero coupon U.S. Treasury-backed securities).

If you had OID for 1991, 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 Pub. 1212. It pro-

vides 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 8b

### Tax-Exempt Interest Income

If you received any tax-exempt interest (such as from municipal bonds), report it on line 8b. Include any exempt-interest dividends from a mutual fund or other regulated investment company. **Do not** report interest earned on your IRA on line 8b.

## Line 9

### Dividend Income

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. The payer should send you a **Form 1099-DIV**. A copy of this form is also sent to the IRS.

If you received, as a nominee, dividends that actually belong to someone else, see the Schedule B instructions on page 43.

If your total gross dividends (Form 1099-DIV, Box 1a) are more than \$400, first fill in Schedule B (see page 43). If you received \$400 or less in dividends, include on line 9 only ordinary dividends and any investment expenses shown in Box 1e of Form 1099-DIV.

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

#### Dividends Include:

- **Ordinary dividends.** These are shown on Form 1099-DIV, Box 1b.
- **Capital gain distributions.** These are shown on Form 1099-DIV, Box 1c. If you have other capital gains or losses, also enter your capital gain distributions on Schedule D. If you don't need Schedule D to report any other gains or losses, see the instructions for lines 13 and 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. For details, get **Pub. 550**, Investment Income and Expenses. Form 1099-DIV shows nontaxable distributions in Box 1d.

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

#### Do Not Report as Dividends

- Dividends on insurance policies. These dividends are a partial return of the premiums you paid. Do not include them in your gross income until they exceed the total of all net premiums you paid for the contract. Remember to report on line 8a any interest

paid or credited on dividends left with an insurance company.

- 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 8a.
- Alaska Permanent Fund dividends. Report these amounts on line 22 instead.

## Line 10

### Taxable Refunds of State and Local Income Taxes

If you received a refund, credit, or offset of state or local income taxes in 1991 that you paid and deducted before 1991, 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**, or similar statement, showing the refund.

Any part of a refund of state or local income taxes paid before 1991 that you were entitled to receive in 1991 but chose to apply to your 1991 estimated state income tax is considered to have been received in 1991.

**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 1990 and you itemized deductions on Schedule A (Form 1040) for 1990, use the worksheet below to figure the amount, if any, you must report as income for 1991.

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

- The refund you received in 1991 is for a tax year other than 1990.

- You received a refund (other than an income tax refund, such as a real property tax refund) in 1991 of an amount deducted or credit claimed in an earlier year.
- Your 1990 taxable income was less than zero.
- Your last payment of 1990 estimated state or local income tax was made in 1991.
- You were liable for the alternative minimum tax in 1990.
- You could not deduct the full amount of credits you were entitled to in 1990 because the total credits exceeded the tax shown on your 1990 Form 1040, line 40.
- You could be claimed as a dependent by someone else in 1990.

## 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 don't, you may have to pay a \$50 penalty. For more details, get **Pub. 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 22 for information on the rules that apply in determining whether these payments qualify as alimony.

## Line 12

### Business Income or (Loss)

If you operated a business or practiced your profession as a sole proprietor, report your income and expenses on Schedule C. Enter on line 12 your net profit or (loss) from Schedule C.

#### Worksheet for State and Local Income Tax Refunds—Line 10 (keep for your records)

1. Enter the income tax refund from <b>Form(s) 1099-G</b> (or similar statement) . . . . .	1. _____
2. Enter the amount from your 1990 Schedule A (Form 1040), line 27 . . . . .	2. _____
<b>Note:</b> If the filing status on your 1990 Form 1040 was married filing separately and your spouse itemized deductions in 1990, enter the amount from line 2 on line 6; skip lines 3, 4, and 5.	
3. Enter on line 3 the amount shown below for the filing status claimed on your 1990 Form 1040:	3. _____
● Single, enter \$3,250	}
● Married filing jointly or Qualifying widow(er), enter \$5,450	
● Married filing separately, enter \$2,725	
● Head of household, enter \$4,750	
4. If you didn't complete line 33a on your 1990 Form 1040, enter -0-. Otherwise, multiply the number on your 1990 Form 1040, line 33a, by \$650 (\$800 if your 1990 filing status was single or head of household) and enter the result . . . . .	4. _____
5. Add lines 3 and 4 . . . . .	5. _____
6. Subtract line 5 from line 2. If zero or less, enter -0- . . . . .	6. _____
7. <b>Taxable part of your refund.</b> Enter the <b>smaller</b> of line 1 or line 6 here and on Form 1040, line 10 . . . . .	7. _____



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## Lines 13 and 14

### Capital Gain or (Loss)

Enter on line 13 your capital gain or (loss) from Schedule D. If you received **capital gain distributions** (reported to you on **Form 1099-DIV** or a substitute statement) but do not need Schedule D for other capital transactions, enter those distributions on line 14.

**Caution:** *It will be to your advantage to report your capital gain distributions on Schedule D and use Part IV of Schedule D to figure your tax if your taxable income (Form 1040, line 37) is **more than:** \$82,150 if married filing jointly or qualifying widow(er); \$49,300 if single; \$70,450 if head of household; or \$41,075 if married filing separately.*

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## 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 on line 15 the ordinary gain or (loss) from Part II of Form 4797.

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## Lines 16a and 16b

### IRA Distributions

Use lines 16a and 16b to report payments (distributions) you received from your individual retirement arrangement (IRA). This includes regular distributions, early distributions, rollovers, and any other money or property you received from your IRA account or annuity. You should receive a **Form 1099-R** showing the amount of your distribution.

If you made any nondeductible contributions to your IRA for 1991 or an earlier year or you rolled your IRA distribution over into another IRA, see below. **Do not** use lines 16a and 16b to report a rollover from a qualified employer's plan to an IRA. Instead, see the instructions for lines 17a and 17b.

IRA distributions that you must include in income are taxed at the same rate as other income. You may not use the special averaging rule for lump-sum distributions from qualified employer plans.

If your IRA distribution is fully taxable, enter it on line 16b; **do not** make an entry on line 16a. If only part is taxable, enter the total distribution on line 16a and the taxable part on line 16b.

**Caution:** *If you received an early distribution and the total distribution was not rolled over or you received an excess distribution, you may have to pay additional tax. Get **Form 5329** for details.*

**Nondeductible Contributions.** If you made nondeductible contributions for any year, part of your IRA distribution may be nontaxable.

If you made any nondeductible contributions for 1991, get **Pub. 590**, Individual Retirement Arrangements (IRAs), and **Form 8606** to figure the taxable part of your IRA distribution. Enter the total distribution on line 16a and the taxable part on line 16b.

If all of your nondeductible contributions were made for years before 1991, use Form 8606 to figure the taxable part of your dis-

tribution by following the instructions for line 11 of that form. Enter the total distribution on line 16a and the taxable part on line 16b.

**Rollovers.** A rollover is a tax-free transfer of cash or other assets from one retirement program to another. Use lines 16a and 16b to report a rollover from one IRA to another IRA. Enter the total distribution on line 16a. If the total on line 16a was rolled over, enter zero on line 16b. If the total was not rolled over, enter the part not rolled over on line 16b. But if you ever made nondeductible contributions to any of your IRAs, use Form 8606 to figure the taxable part to enter on line 16b.

For more details, see Pub. 590.

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## Lines 17a and 17b

### Pensions and Annuities

Use lines 17a and 17b to report pension and annuity payments you received (including disability pensions received after you reach the minimum retirement age set by your employer). Also use these lines to report payments (distributions) from profit-sharing plans, retirement plans, and employee-savings plans. See page 18 for information on rollovers and lump-sum distributions.

You should receive a **Form 1099-R** showing the amount of your pension or annuity. Be sure to attach Form 1099-R to Form 1040 if any Federal income tax was withheld from your pension or annuity.

**Do not** use lines 17a and 17b to report corrective distributions of excess salary deferrals, excess contributions, or excess aggregate contributions from retirement plans. Instead, see the instructions for line 7. Also, **do not** use lines 17a and 17b to report any social security or railroad retirement benefits shown on **Forms SSA-1099** and **RRB-1099**. Instead, see the instructions for lines 21a and 21b.

**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 additional taxes. For details, get **Pub. 575, Pension and Annuity Income (Including Simplified General Rule)**.*

### Fully Taxable Pensions and Annuities

If your pension or annuity is fully taxable, enter it on line 17b; **do not** make an entry on line 17a. Your pension or annuity payments are fully taxable if **either** of the following applies:

1. You did not contribute to the cost of your pension or annuity, or
2. You used the 3-Year Rule and you got your entire cost back tax free before 1991.

Fully taxable pensions and annuities also include military retirement pay shown on Form 1099-R and any taxable railroad retirement benefits from Box 12 of **Form RRB-1099-R**. If you received Form RRB-1099-R and an amount is shown in Box 13 of your form, get Pub. 575 to see how to report your benefits.

For information on military disability pensions, get **Pub. 525, Taxable and Nontaxable Income**.

### Partially Taxable Pensions and Annuities

If your pension or annuity is partially taxable and your Form 1099-R does not show the taxable part, you must use the General Rule to figure the taxable part. The General Rule is explained in **Pub. 939, Pension General Rule (Nonsimplified Method)**. But if your annuity starting date (defined later) was **after** July 1, 1986, you may be able to use the Simplified General Rule explained on this page to figure the taxable part of your pension or annuity.

If you choose to, you may submit a ruling request to the IRS before the due date of your return (including extensions), and the IRS will figure the taxable part for you for a \$50 fee. For details on how to do this, see Pub. 939.

If your Form 1099-R shows a taxable amount, you may report that amount on line 17b. But you may use the General Rule or, if you qualify, the Simplified General Rule to see if you can report a lower taxable amount.

Once you have figured the taxable part of your pension or annuity, enter that amount on line 17b; enter the total you received on line 17a.

**Annuity Starting Date.** Your annuity starting date is the later of the first day of the first period for which you received a payment from the plan, or the date on which the plan's obligations became fixed.

**Simplified General Rule.** Using this method will usually result in at least as much of the pension or annuity being tax free each year as under the General Rule or as figured by the IRS. You qualify to use this simpler method if **all four** of the following apply:

1. Your annuity starting date was **after** July 1, 1986.
2. The pension or annuity payments are for: (a) your life, or (b) your life and that of your beneficiary.
3. The pension or annuity payments are from a qualified employee plan, a qualified employee annuity, or a tax-sheltered annuity.
4. At the time the pension or annuity payments began, either you were under age 75, or, if you were 75 or older, the number of years of guaranteed payments was fewer than 5.

If you qualify, use the worksheet on page 18 to figure the taxable part of your pension or annuity. But if you received U.S. Civil Service retirement benefits and you chose the lump-sum credit option, use the worksheet in **Pub. 721, Tax Guide to U.S. Civil Service Retirement Benefits**, instead of the one on page 18. If you are a beneficiary entitled to a death benefit exclusion (see page 18), add the exclusion to the amount you enter on line 2 of the worksheet even if you received a Form 1099-R showing a taxable amount. (The payer of the annuity cannot add the death benefit exclusion to your cost when figuring the taxable amount.) Attach a signed statement to your return stating that you are entitled to a death benefit exclusion. For more details on the Simplified General Rule, see Pub. 575 or Pub. 721.

**Age at Annuity Starting Date.** If you are the retiree, use your age on the annuity starting date. If you are the survivor of a retiree, use the retiree's age on his or her annuity starting

**Worksheet for Simplified General Rule—Lines 17a and 17b**  
(keep for your records)

1. Enter the total pension or annuity payments received this year. Also enter this amount on Form 1040, line 17a . . . . .	1. _____
2. Enter your cost in the plan at the annuity starting date, plus any death benefit exclusion . . . . .	2. _____
3. Age at annuity starting date: (see instructions on page 17)	Enter: _____
55 and under . . . . .	300
56–60 . . . . .	260
61–65 . . . . .	240
66–70 . . . . .	170
71 and older . . . . .	120
4. Divide line 2 above by the number on line 3 . . . . .	4. _____
5. Multiply line 4 above by the number of months for which this year's payments were made. Enter the result. If your annuity starting date was <b>before</b> 1987, also enter this amount on line 8; skip lines 6 and 7. Otherwise, go to line 6 . . . . .	5. _____
6. Enter the amount, if any, recovered tax free in years after 1986	6. _____
7. Subtract line 6 from line 2 . . . . .	7. _____
8. Compare the amounts on lines 5 and 7 above. Enter the <b>smaller</b> of the two amounts here . . . . .	8. _____
9. <b>Taxable amount.</b> Subtract line 8 from line 1. Enter the result (but not less than zero). Also enter this amount on Form 1040, line 17b. If your Form 1099-R shows a larger amount, use the amount on this line instead of the amount from Form 1099-R . . . . .	9. _____

**Note:** If you had more than one partially taxable pension or annuity, figure the taxable part of each separately. Enter the total of the taxable parts on Form 1040, line 17b. Enter the total pension or annuity payments received in 1991 on Form 1040, line 17a.

date. If you are the beneficiary of an employee who died, get Pub. 575.

**Note:** If there is more than one beneficiary, see Pub. 575 or Pub. 721 to figure each beneficiary's taxable amount.

**Changing Methods.** If your annuity starting date was **after** July 1, 1986, you may be able to change from the General Rule to the Simplified General Rule (or the other way around). For details, see Pub. 575 or Pub. 721.

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

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

**Rollovers**

A rollover is a tax-free transfer of cash or other assets from one retirement program to another. Use lines 17a and 17b to report a rollover from one qualified employer's plan to another, or to an IRA.

Distributions that may be rolled over are generally reported to you on **Form 1099-R**. Enter the total distribution on line 17a. If the total on line 17a (minus any contributions that were taxable to you when made) was rolled over, enter zero on line 17b. Otherwise, enter the taxable part of the distribution that was not rolled over on line 17b. Special rules apply to partial rollovers of property.

For more details on rollovers, including distributions under qualified domestic relations orders, see Pub. 575.

**Lump-Sum Distributions**

If you received a lump-sum distribution from a profit-sharing or retirement plan, your Form 1099-R should have the "Total distribution" box in Box 3 checked. If you received an early distribution from a qualified retirement plan and the total amount was not rolled over, you may owe an additional tax. You may also owe an additional tax if you received an excess distribution from a qualified retirement plan. For details, get **Form 5329**.

Enter the total distribution on line 17a and the taxable part on line 17b unless:

- You chose to report the amount, if any, shown in Box 3 of your Form 1099-R on Schedule D (see the Instructions for Schedule D), or
- You were born before 1936, you meet certain other conditions, and you choose to use **Form 4972**, Tax on Lump-Sum Distributions, to figure the tax on any part of the distribution. You may also be able to use Form 4972 if you are the beneficiary of a deceased employee who was born before 1936 and was age 50 or older on the date of death. In these cases, you may pay less tax on the distribution. For details, get Form 4972.

If you use Form 4972 to figure the tax on any part of your distribution, do not include that part of the distribution on line 17a or 17b of Form 1040.

**Line 18**

**Rents, Royalties, Partnerships, Estates, Trusts, etc.**

Use Schedule E to report income or losses from rents, royalties, partnerships, S corporations, estates, trusts, and REMICs. Enter on line 18 your total income or (loss) from Schedule E.

**Line 19**

**Farm Income or (Loss)**

Use Schedule F to report farm income and expenses. Enter on line 19 your net profit or (loss) from Schedule F.

**Line 20**

**Unemployment Compensation**

Use line 20 to report unemployment compensation (insurance) you received. By January 31, 1992, you should receive a **Form 1099-G** showing the total amount paid to you during 1991.

If you received an overpayment of unemployment compensation in 1991 and you repaid it in 1991, subtract the amount you repaid from the total amount you received. Enter the result on line 20. Also enter "Repayment" and the amount you repaid on the dotted line next to line 20.

**Note:** Supplemental unemployment benefits received from a company-financed supplemental unemployment benefit fund are wages. Report them on line 7.

**Lines 21a and 21b**

**Social Security Benefits**

Social security and equivalent railroad retirement 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 January 31, 1992, you should receive a **Form SSA-1099** showing in Box 3 the total social security benefits paid to you in 1991, and in Box 4 the amount of any social security benefits you repaid in 1991. If you received railroad retirement benefits treated as social security, you should receive a **Form RRB-1099**. For more details, get **Pub. 915**, Social Security Benefits and Equivalent Railroad Retirement Benefits.

Use the worksheet on page 19 to see if any of your benefits are taxable, but **please note** the following before you begin.

- You will first need to complete Form 1040, lines 7 through 20, 22, and 30 if they apply to you, to figure the taxable part, if any, of your benefits.
- If you made IRA contributions for 1991 and you were covered by a retirement plan at work or through self-employment, **do not** use the worksheet on page 19. Instead, use

the worksheets in **Pub. 590**, Individual Retirement Arrangements (IRAs), to see if any of your social security benefits are taxable and to figure your IRA deduction.

- If you repaid any benefits in 1991, and your total repayments (Box 4) were more than your total benefits for 1991 (Box 3), **do not** use the worksheet below. None of your benefits are taxable for 1991. 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 Pub. 915.

- If you file **Form 2555**, Foreign Earned Income, **Form 4563**, Exclusion of Income for Bona Fide Residents of American Samoa, **Form 8815**, Exclusion of Interest From Series EE U.S. Savings Bonds Issued After 1989, or you exclude income from sources within Puerto Rico, use the worksheet in Pub. 915 instead of the one below.

## Line 22

### Other Income

Use line 22 to report any other income not reported on your return or other schedules. See examples below. List the type and amount of income. If necessary, show the required information on an attached statement. For more details, see **Miscellaneous Taxable Income** in **Pub. 525**, Taxable and Nontaxable Income.

**Caution:** Do not report any income from self-employment on line 22. If you had any income from self-employment, you **must** use Schedule C or Schedule F, even if you do not have any business expenses to deduct from that income. If you had net income from self-employment, you may also have to file Schedule SE.

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 than the winnings you report.

- Amounts you received for medical expenses or other items such as real estate taxes that you deducted in an earlier year if they reduced your tax. See Pub. 525 for details 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. You may be able to deduct part or all of your jury duty pay. See the instructions for line 30.

- Alaska Permanent Fund dividends.

**Net Operating Loss.** If you had a net operating loss in an earlier year to carry forward to 1991, include it as a negative amount on line 22. Attach a statement showing how you figured the amount. Get **Pub. 536**, Net Operating Losses, for more details.

# Adjustments to Income

## Lines 24a and 24b

### Individual Retirement Arrangement (IRA) Deduction

Read the instructions below and on page 20 to see if you can take an IRA deduction and, if you can, which worksheet to use to figure it. Enter your IRA deduction on line 24a. If you file a joint return, enter your spouse's deduction on line 24b. You should receive a statement by June 1, 1992, that shows all contributions to your IRA for 1991.

If you were age 70½ or older at the end of 1991, you cannot deduct any contributions made to your IRA for 1991 or treat them as nondeductible contributions.

**Note:** If you file **Form 2555**, Foreign Earned Income, get **Pub. 590** to figure your IRA deduction.

## Were You Covered by a Retirement Plan?

If you were covered by a retirement plan (qualified pension, profit-sharing (including 401(k)), annuity, Keogh, SEP, etc.) at work or through self-employment in 1991, your IRA deduction may be reduced or eliminated. But you can still make contributions to an IRA even if you can't deduct them. In any case, the income earned on your IRA contributions is not taxed until it is paid to you.

The "Pension plan" box in Box 6 of your Form W-2 should be checked if you were covered by a plan at work. This box should be checked even if you were not vested in the plan. You are also covered by a plan if you are self-employed and have a Keogh or SEP retirement plan.

**Note:** If you were covered by a retirement plan and you file **Form 8815**, Exclusion of Interest From Series EE U.S. Savings Bonds Issued After 1989, get **Pub. 590** to figure the amount, if any, of your IRA deduction.

**Special Rule for Married Individuals Who File Separate Returns.** If you were not covered by a retirement plan but your spouse was, **you** are considered covered by a plan if you lived with your spouse at any time in

## Social Security Benefits Worksheet—Lines 21a and 21b (keep for your records)

If you are married filing a separate return and you did **not** live with your spouse at any time in 1991, enter "D" on the dotted line next to line 21a.

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

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

2. Divide line 1 above by 2 . . . . . 2. \_\_\_\_\_

3. Add the amounts on Form 1040, lines 7, 8a, 8b, 9 through 15, 16b, 17b, 18 through 20, and line 22. Do not include here any amounts from Box 5 of Forms SSA-1099 or RRB-1099 . . . . . 3. \_\_\_\_\_

4. Add lines 2 and 3 . . . . . 4. \_\_\_\_\_

5. Enter the total adjustments from Form 1040, line 30 . . . . . 5. \_\_\_\_\_

6. Subtract line 5 from line 4 . . . . . 6. \_\_\_\_\_

7. Enter on line 7 the amount shown below for your filing status:

- Single, Head of household, or Qualifying widow(er) with dependent child, enter \$25,000
  - Married filing a joint return, enter \$32,000
  - Married filing a separate return, enter -0- (\$25,000 if you did **not** live with your spouse at any time in 1991)
- } 7. \_\_\_\_\_

8. Subtract line 7 from line 6. Enter the result but not less than zero . . . . . 8. \_\_\_\_\_

- If line 8 is zero, stop here. None of your benefits are taxable. Do not enter any amounts on lines 21a or 21b. **But** if you are married filing a separate return and you did **not** live with your spouse at any time in 1991, enter -0- on line 21b. Be sure you entered "D" on the dotted line next to line 21a.
- If line 8 is more than zero, go to line 9.

9. Divide line 8 above by 2 . . . . . 9. \_\_\_\_\_

### 10. Taxable social security benefits.

- First, enter on Form 1040, line 21a, the amount from line 1 above.

- Then, enter the **smaller** of line 2 or line 9 here and on Form 1040, line 21b . . . . . 10. \_\_\_\_\_

**Note:** If part of your benefits are taxable for 1991 **and** they include benefits paid in 1991 that were for an earlier year, you may be able to reduce the taxable amount shown on the worksheet. Get Pub. 915 for details.

1991. See the chart on this page to find out if you can take a deduction, and, if you can, which worksheet to use.

**Not Covered by a Retirement Plan.** If you (and your spouse if filing a joint return) were not covered by a plan, use **Worksheet 1** on this page to figure your deduction.

**Covered by a Retirement Plan.** If you (or your spouse if filing a joint return) were covered by a plan, see the chart on this page. It will tell you if you can take a deduction and, if you can, which worksheet to use.

**Nondeductible Contributions.** You can make nondeductible contributions to your IRA. You can do this even if you are allowed to deduct part or all of your contributions. Your nondeductible contribution is the difference between the total allowable contributions to your IRA and the amount you deduct.

**Example.** You file as single and paid \$2,000 into your IRA. You were covered by a retirement plan and your modified AGI is over \$35,000 (all wages). You can't deduct the \$2,000. But you can treat it as a nondeductible contribution.

Use **Form 8606** to report all contributions you treat as nondeductible. Also use it to figure the basis (nontaxable part) of your IRA. If you and your spouse each make nondeductible contributions, each of you must complete a separate Form 8606.

**Read the following list before you fill in your worksheet.**

- You will first need to complete Form 1040 through line 23, lines 25 through 29, and figure any write-in amount included on line 30, to figure your IRA deduction and, if applicable, nondeductible contributions.
- If you made contributions to your IRA in 1991 that you deducted for 1990, **do not** include them in the worksheet.
- If you make contributions to your IRA in 1992 (by April 15) for 1991, be sure to include them in the worksheet.
- If you received a distribution from a non-qualified deferred compensation plan, get Pub. 590 to figure the amount of your IRA deduction. (The distribution should be shown in Box 16 of your W-2 form.)
- Your IRA deduction can't be more than the total of your wages and other earned income.
- If the total of your IRA deduction on Form 1040 plus any nondeductible contribution on your Form 8606 is less than your total IRA contributions for 1991, see Pub. 590 for special rules.
- You must file a joint return to deduct contributions to your nonworking spouse's IRA. A **nonworking spouse** is one who had no wages or other earned income in 1991, or a working spouse who chooses to be treated as having no earned income for figuring the deduction.
- Do not include rollover contributions in figuring your deduction. See the instructions for lines 16a and 16b on page 17 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.

• Alimony payments received under certain divorce or separation instruments are considered earned income for purposes of the IRA deduction. See Pub. 590.

• If married filing a joint return and both spouses worked and had IRAs, figure each spouse's deduction separately using columns (a) and (b) of the worksheet.

**Chart for People Covered by a Retirement Plan\***

In this chart, **modified AGI** (adjusted gross income) is the amount on Form 1040, line 23, minus the total of any deductions claimed on Form 1040, lines 25 through 29, and any write-in amount included on line 30.

**If you** (or your spouse if filing a joint return) **were covered by a retirement plan and—**

<b>Your filing status is:</b>	<b>and your modified AGI is:</b>	<b>You can take:</b>
Single, Head of household, or Married filing separately and did <b>not</b> live with your spouse in 1991	\$25,000 or less	Full IRA deduction (use <b>Worksheet 1</b> on this page)
	Over \$25,000 but less than \$35,000	Partial IRA deduction (use <b>Worksheet 2</b> on page 21)
	\$35,000 or more	No IRA deduction (see Nondeductible Contributions)
Married filing jointly or Qualifying widow(er) with dependent child	\$40,000 or less	Full IRA deduction (use <b>Worksheet 1</b> on this page)
	Over \$40,000 but less than \$50,000	Partial IRA deduction (use <b>Worksheet 2</b> on page 21)
	\$50,000 or more	No IRA deduction (see Nondeductible Contributions)
Married filing separately and lived with your spouse in 1991	Over -0- but less than \$10,000	Partial IRA deduction (use <b>Worksheet 2</b> on page 21)
	\$10,000 or more	No IRA deduction (see Nondeductible Contributions)

\* If married filing separately and you were not covered by a plan but your spouse was, **you** are considered covered by a plan if you lived with your spouse at any time in 1991.

**IRA Worksheet 1—Lines 24a and 24b** (keep for your records)

	(a) Your IRA	(b) Your working spouse's IRA
1. Enter IRA contributions you made for 1991, but <b>do not</b> enter more than \$2,000 in either column	1. _____	_____
2. For each person, enter wages and other earned income from Form 1040, minus any deductions claimed on Form 1040, lines 25 and 27. (Do not reduce wages by any loss from self-employment.)	2. _____	_____
3. Enter the <b>smaller</b> of line 1 or line 2. Enter on Form 1040, line 24a, the amount from line 3, column (a), you choose to deduct. Enter on Form 1040, line 24b, the amount, if any, from line 3, column (b), you choose to deduct. If married filing a joint return and contributions were made to your nonworking spouse's IRA, go to line 4 . . .	3. _____	_____
	<b>Nonworking spouse's IRA</b>	
4. Enter the <b>smaller</b> of line 2, column (a), or \$2,250	4. _____	_____
5. Enter the amount from line 3, column (a) . . .	5. _____	_____
6. Subtract line 5 from line 4 . . . . .	6. _____	_____
7. Enter IRA contributions made for your nonworking spouse, but <b>not more than</b> \$2,000	7. _____	_____
8. Enter the <b>smaller</b> of line 6 or line 7. Enter on Form 1040, line 24b, the amount from line 8 you choose to deduct . . . . .	8. _____	_____

<p>1. If you checked Filing Status:               1 or 4, enter \$35,000              2 or 5, enter \$50,000              3, enter \$10,000 (\$35,000 if you did <b>not</b> live with your spouse at any time in 1991)</p> <p>2. Enter the amount from Form 1040, line 23 . . . . .</p> <p>3. Add amounts on Form 1040, lines 25 through 29, and any write-in amount included on line 30 . . . . .</p> <p>4. Subtract line 3 from line 2. If the result is equal to or larger than the amount on line 1, none of your IRA contributions are deductible. Stop here. If you want to make a nondeductible IRA contribution, see Form 8606 . . . . .</p> <p>5. Subtract line 4 from line 1. <b>If the result is \$10,000 or more, stop here and use Worksheet 1</b> . . . . .</p> <p>6. Multiply line 5 above by 20% (.20). If the result is not a multiple of \$10, round it up to the next multiple of \$10 (for example, round \$490.30 to \$500). If the result is \$200 or more, enter the result. But if it is less than \$200, enter \$200. Go to line 7. . . . .</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p>	
<p style="margin-right: 20px;">(a) Your IRA</p>	<p>(b) Your working spouse's IRA</p>	
<b>Deductible IRA contributions</b>		
<p>7. For each person, enter wages and other earned income from Form 1040, minus any deductions claimed on Form 1040, lines 25 and 27. (Do not reduce wages by any loss from self-employment.) . . . . .</p> <p>8. Enter IRA contributions you made for 1991, but <b>do not</b> enter more than \$2,000 in either column . . . . .</p> <p>9. Enter the <b>smallest</b> of line 6, 7, or 8. This is the most you can deduct. Enter on Form 1040, line 24a, the amount from line 9, column (a), you choose to deduct. Enter on Form 1040, line 24b, the amount from line 9, column (b), you choose to deduct. (If line 8 is more than line 9, go to line 10.) . . . . .</p>	<p>7. _____</p> <p>8. _____</p> <p>9. _____</p>	
<b>Nondeductible IRA contributions</b>		
<p>10. Subtract line 9 from line 7 or line 8, whichever is <b>smaller</b>. Enter on line 2 of your Form 8606 the amount from line 10 you choose to make nondeductible . . . . .</p>	<p>10. _____</p>	
<b>If married filing a joint return and contributions were made to your nonworking spouse's IRA, go to line 11.</b>		
<b>Deductible IRA contributions for nonworking spouse</b>		
<p>11. Enter the <b>smaller</b> of line 7, column (a), or \$2,250 . . . . .</p> <p>12. Add the amount on line 9, column (a), to the part of line 10, column (a), that you choose to make nondeductible . . . . .</p> <p>13. Subtract line 12 from line 11. If the result is zero or less, stop here. You cannot make deductible or nondeductible IRA contributions for your nonworking spouse . . . . .</p> <p>14. Enter the <b>smallest</b> of (a) IRA contributions made for 1991 that are for your nonworking spouse, (b) \$2,000, or (c) the amount on line 13 . . . . .</p> <p>15. Multiply line 5 above by 22.5% (.225). If the result is not a multiple of \$10, round it up to the next multiple of \$10. If the result is \$200 or more, enter the result. But if it is less than \$200, enter \$200 . . . . .</p> <p>16. Enter the amount from line 9, column (a) . . . . .</p> <p>17. Subtract line 16 from line 15 . . . . .</p> <p>18. Enter the <b>smaller</b> of line 14 or line 17 . . . . .</p> <p>19. Enter the <b>smallest</b> of line 6, 7, or 18. This is the most you can deduct. Enter on Form 1040, line 24b, the amount from line 19 you choose to deduct. (If line 14 is more than line 19, go to line 20.) . . . . .</p>	<p>11. _____</p> <p>12. _____</p> <p>13. _____</p> <p>14. _____</p> <p>15. _____</p> <p>16. _____</p> <p>17. _____</p> <p>18. _____</p> <p>19. _____</p>	
<b>Nondeductible IRA contributions for nonworking spouse</b>		
<p>20. Subtract line 19 from line 14. Enter on line 2 of your spouse's Form 8606 the amount from line 20 that you choose to make nondeductible . . . . .</p>	<p>20. _____</p>	

## Line 25

### One-Half of Self-Employment Tax

If you had income from self-employment and you owe self-employment tax, first fill in Schedule SE. Then, enter on Form 1040, line 25, one-half of the self-employment tax shown on line 5 of Short Schedule SE or line 15 of Long Schedule SE, whichever applies.

## Line 26

### Self-Employed Health Insurance Deduction

If you were self-employed and had a net profit for the year, or if you received wages in 1991 from an S corporation in which you were a more than 2% shareholder, you may be able to deduct part of the amount paid for health insurance on behalf of yourself, your spouse, and dependents. But you may not take the deduction if you were eligible to participate in any subsidized health plan maintained by your employer or your spouse's employer. For more details, get **Pub. 535**, Business Expenses.

If you qualify to take the deduction, use the worksheet on this page to figure the amount you can deduct. But, if either of the following applies, do **not** use the worksheet on this page. Instead, get Pub. 535 to see how to figure your deduction.

- You had more than one source of income subject to self-employment tax.
- You file **Form 2555**, Foreign Earned Income.

**Caution:** If you can file **Schedule EIC**, Earned Income Credit, you may also be able to claim the health insurance credit on that schedule. If you do claim that credit, do **not** use the worksheet on this page. Instead, get **Pub. 596**, Earned Income Credit, to figure your self-employed health insurance deduction.

## Line 27

### Keogh Retirement Plan and Self-Employed SEP Deduction

If you are self-employed or a partner, deduct payments to your Keogh (HR 10) plan or Simplified Employee Pension (SEP) on line 27. Deduct payments for your employees on Schedule C or F.

**Caution:** You must be self-employed to claim the Keogh deduction. There are two types of Keogh plans:

- A **defined-contribution plan** has a separate account for each person. Benefits are based on the amount paid to each account.
- Payments to a **defined-benefit plan** are determined by the funds needed to give a specific benefit at retirement. If you deduct payments to this kind of plan, enter "DB" next to line 27.

Get **Pub. 560**, Retirement Plans for the Self-Employed, for more details, including limits on the amount you can deduct.

## Line 28

### Penalty on Early Withdrawal of Savings

The **Form 1099-INT** or, if applicable, **Form 1099-OID** 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 8a.)

## Worksheet for Self-Employed Health Insurance Deduction—Line 26 (keep for your records)

1. Enter the amount paid in 1991 for health insurance for 1991 for you, your spouse, and dependents . . . . .	1. _____
2. Percentage used to figure the deduction . . . . .	2. _____ × .25
3. Multiply line 1 by the percentage on line 2 . . . . .	3. _____
4. Enter your net profit and any other earned income* from the business under which the insurance plan is established, minus any deductions you claim on Form 1040, lines 25 and 27 . . . . .	4. _____
5. Enter the <b>smaller</b> of line 3 or line 4 here and on Form 1040, line 26. (DO NOT include this amount in figuring any medical expense deduction on Schedule A (Form 1040).) . . . . .	5. _____

\* **Earned income** includes net earnings and gains from the sale, transfer, or licensing of property you created. It does not include capital gain income. If you were a more than 2% shareholder in an S corporation, earned income is your wages from that corporation.

## 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. 252) or get **Pub. 504**, Tax Information for Divorced or Separated Individuals.

**Caution:** You must enter the recipient's 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 of one of the recipients. Show the social security number(s) and the amount paid to 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 **all four** of the following apply:

1. The instrument does not prevent the payment from qualifying as alimony.
2. 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.
3. You are not required to make any payment after the death of your spouse or former spouse.
4. The payment is not treated as child support.

These rules also apply to certain instruments modified after 1984. Other rules apply if your annual payments decreased by more than \$15,000. For more details, see Pub. 504.

## Line 30

### Total Adjustments

Add lines 24a through 29 and enter the total on line 30. Also include in the total on line 30 any of the following adjustments.

**Qualified Performing Artists.** If you are a qualified performing artist, include in the total on line 30 your performing-arts related expenses from line 11 of **Form 2106**, Employee Business Expenses. Enter the amount and "QPA" on the dotted line next to line 30.

**Jury Duty Pay Given to Employer.** If you reported jury duty pay on line 22 and you were required to give your employer any part of that pay because your employer continued to pay your salary while you served on the jury, include the amount you gave your employer in the total on line 30. Enter the amount and "Jury pay" on the dotted line next to line 30.

**Forestation or 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 30. Enter the amount and "Reforestation" on the dotted line next to line 30.

**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 in the total on line 30 the amount you repaid in 1991. Enter the amount and "Sub-pay TRA" on the dotted line next to line 30. Or, you may be able to claim a credit against your tax instead. Get **Pub. 525**, Taxable and Nontaxable Income, for more details.

# Adjusted Gross Income

## Line 31

If line 31 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**, Application for Tentative Refund. If you do not wish to carry back a net operating loss, you may elect to carry the loss over to future years. You must attach the election to your return. For more details, get **Pub. 536**, Net Operating Losses.

# Tax Computation

## Line 33a

If you were age 65 or older or blind, check the appropriate boxes on line 33a. If you were married and checked the box on line 6b on page 1 of Form 1040 and your spouse was age 65 or older or blind, also check the appropriate boxes for your spouse. Add the number of boxes checked. Enter the total in the box provided on line 33a.

**Age.** If you were 65 or older on January 1, 1992, check the "65 or older" box on your 1991 return.

**Blindness.** If you were completely blind as of December 31, 1991, attach a statement to your return describing this condition. If you were partially blind, you must attach a statement certified by your eye doctor that:

- You can't see better than 20/200 in your better eye with glasses or contact lenses, or
- Your field of vision is 20 degrees or less.

If your eye condition is not likely to improve beyond the conditions listed above, attach a statement certified by your eye doctor to this effect. If you attached this statement in a prior year, attach a note saying that you have already filed a statement.

## Line 33b

If your parent (or someone else) can claim you as a dependent (even if that person chose not to claim you), check the box on line 33b. If you do not itemize your deductions, be sure to use the **Standard Deduction Worksheet for Dependents** on this page to figure the amount to enter on line 34.

## Line 33c

Check this box if your spouse itemizes deductions on a separate return or if you were a dual-status alien. If you were a dual-status alien and you file a joint return with your spouse who was a U.S. citizen or resident at the end of 1991 and you and your spouse agree to be taxed on your combined worldwide income, **do not** check the box.

If you check this box, you **cannot** take the standard deduction. If you have any itemized deductions such as state and local income taxes, your Federal income tax will be less if you itemize your deductions.

## Line 34

### Itemized Deductions or Standard Deduction

You must decide whether to itemize your actual deductions for charitable contributions, medical expenses, interest, taxes, etc., or take the standard deduction. Your Federal income tax will be less if you take the **larger** of:

- Your total itemized deductions reportable on **Schedule A** (Form 1040), or
- Your standard deduction.

The standard deduction has increased. Even if you itemized last year, check to see if the standard deduction will benefit you in 1991.

**Itemized Deductions.** If you itemize, complete and attach Schedule A and enter

on Form 1040, line 34, the amount from Schedule A, line 26.

**Itemizing for State Tax Purposes.** If you itemize even though your itemized deductions are less than the amount of your standard deduction, enter "IE" (itemized elected) next to line 34.

**Standard Deduction.** If you take the standard deduction, find the correct amount for you and enter it on line 34.

Most people can find their standard deduction by looking at line 34 of Form 1040.

But, if you checked **any** of the boxes on **lines 33a or 33b**, use the chart or worksheet on this page that applies to you to figure your standard deduction. Also, if you checked the box on **line 33c**, you **cannot** take the standard deduction even if you were age 65 or older or blind.

### Standard Deduction Chart for People Age 65 or Older or Blind

If someone can claim you as a dependent, use the worksheet below instead.

Enter the number from the box on line 33a of Form 1040 . . . . .

**Caution:** Do not use the number of exemptions from line 6e.

If your filing status is:	and the number in the box above is:	Your standard deduction is:
Single	1 . . . . .	\$4,250
	2 . . . . .	5,100
Married filing joint return or Qualifying widow(er) with dependent child	1 . . . . .	\$6,350
	2 . . . . .	7,000
	3 . . . . .	7,650
	4 . . . . .	8,300
Married filing separate return	1 . . . . .	\$3,500
	2 . . . . .	4,150
	3 . . . . .	4,800
	4 . . . . .	5,450
Head of household	1 . . . . .	\$5,850
	2 . . . . .	6,700

### Standard Deduction Worksheet for Dependents (keep for your records)

Use this worksheet **only** if someone can claim you as a dependent.

1. Enter your <b>earned income</b> (defined below). If none, enter -0-	1. _____
2. Minimum amount . . . . .	2. <b>\$550</b>
3. Enter the <b>larger</b> of line 1 or line 2 . . . . .	3. _____
4. Enter on line 4 the amount shown below for your filing status:	4. _____
<ul style="list-style-type: none"> <li>• Single, enter \$3,400</li> <li>• Married filing a separate return, enter \$2,850</li> <li>• Married filing a joint return or Qualifying widow(er) with dependent child, enter \$5,700</li> <li>• Head of household, enter \$5,000</li> </ul>	
5. <b>Standard deduction.</b>	
a. Enter the <b>smaller</b> of line 3 or line 4. If under 65 and not blind, stop here and enter this amount on Form 1040, line 34. Otherwise, go to line 5b . . . . .	5a. _____
b. If 65 or older or blind, multiply \$850 (\$650 if married filing a joint or separate return, or qualifying widow(er) with dependent child) by the number on Form 1040, line 33a . . . . .	5b. _____
c. Add lines 5a and 5b. Enter the total here and on Form 1040, line 34 . . . . .	5c. _____

**Earned income** includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in your income. Generally, your earned income is the total of the amount(s) you reported on Form 1040, lines 7, 12, and 19, minus the amount, if any, on line 25.

## Line 36

### Deduction for Exemptions

Multiply \$2,150 by the total number of exemptions entered on line 6e. But if your adjusted gross income from line 32 is more than the dollar amount shown below, your deduction may be reduced. Use the worksheet on this page to figure the amount, if any, to enter on line 36.

- \$75,000 if married filing separately.
- \$100,000 if single.
- \$125,000 if head of household.
- \$150,000 if married filing jointly or qualifying widow(er) with dependent child.

### The IRS Will Figure Your Tax and Some of Your Credits

If you want us to, we will figure your tax for you. If you have paid too much, we will send you a refund. If you did not pay enough, we'll send you a bill. We won't charge you interest or a late payment penalty if you pay 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 1991 was from wages, salaries, tips, interest, dividends, taxable social security benefits, unemployment compensation, IRA distributions, pensions, or annuities.
- You do not itemize deductions.
- You do not file any of the following forms:

**Schedule D**, Capital Gains and Losses.

**Form 2555**, Foreign Earned Income.

**Form 4137**, Social Security and Medicare Tax on Unreported Tip Income.

**Form 4970**, Tax on Accumulation Distribution of Trusts.

**Form 4972**, Tax on Lump-Sum Distributions.

**Form 6198**, At-Risk Limitations.

**Form 6251**, Alternative Minimum Tax—Individuals.

**Form 8615**, Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,100.

**Form 8814**, Parent's Election To Report Child's Interest and Dividends.

- Your taxable income (line 37) 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, 1992.
- 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.

**b.** Read lines 39 through 59. Fill in the lines that apply to you, but do not fill in the total lines. Please be sure to fill in line 54 for Federal income tax withheld. See the instructions below if you want us to figure your credit for the elderly or the disabled or your earned income credit.

### Deduction for Exemptions Worksheet—Line 36 (keep for your records)

1. Multiply \$2,150 by the total number of exemptions claimed on Form 1040, line 6e . . . . .	1. _____
2. Enter the amount from Form 1040, line 32. . . . .	2. _____
3. Enter on line 3 the amount shown below for your filing status:	
• Married filing separately, enter \$75,000	} 3. _____
• Single, enter \$100,000	
• Head of household, enter \$125,000	
• Married filing jointly or Qualifying widow(er), enter \$150,000	
4. Subtract line 3 from line 2 . . . . .	4. _____
<b>Note:</b> If line 4 is more than \$122,500 (more than \$61,250 if married filing separately), <b>stop here</b> ; you may <b>not</b> take a deduction for exemptions. Enter -0- on Form 1040, line 36.	
5. Divide line 4 by \$2,500 (\$1,250 if married filing separately). If the result is not a whole number, round it up to the next higher whole number . . . . .	5. _____
6. Multiply line 5 by 2% (.02), and enter the result as a decimal amount . . . . .	6. _____
7. Multiply line 1 by line 6 . . . . .	7. _____
8. <b>Deduction for exemptions.</b> Subtract line 7 from line 1. Enter the result here and on Form 1040, line 36 . . . . .	8. _____

**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.

**Credit for the Elderly or the Disabled.** If you can take this credit, attach **Schedule R** to your return and enter "CFE" on the dotted line next to line 42.

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

**Earned Income Credit (EIC).** Read the instructions that begin on page 45 to see if you can take this credit. If you can, fill in Parts II and III of Schedule EIC and attach it to your return. Enter "EIC" on the dotted line next to line 56.

## Line 38

### Tax

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

**Tax Table.** If your taxable income is less than \$50,000, you **must** use the Tax Table to find your tax, unless you are required to use **Form 8615** or you use **Schedule D** (see below). Be sure you use the correct column in the Tax Table. After you have found the correct tax, enter that amount on line 38.

**Tax Rate Schedules.** You must use the Tax Rate Schedules to figure your tax if your taxable income is \$50,000 or more unless you are required to use **Form 8615** or you use **Schedule D**.

**Schedule D.** If you had a net capital gain, your tax may be less if you figure it using Schedule D, Part IV, Tax Computation Using Maximum Capital Gains Rate.

**Form 8615.** Form 8615 must generally be used to figure the tax for any child who was under age 14 on January 1, 1992, and who had more than \$1,100 of investment income (such as taxable interest or dividends). However, if neither of the child's parents was alive on December 31, 1991, do not use Form 8615 to figure the child's tax.

**Note:** If you are filing **Form 8814**, *Parent's Election To Report Child's Interest and Dividends*, include in your total for line 38 the tax from **Form 8814**, line 8. Also enter that tax in the space provided next to line 38.

## Line 39

### Additional Taxes

Check the box(es) on line 39 to report any additional taxes from:

**Form 4970**, Tax on Accumulation Distribution of Trusts, or

**Form 4972**, Tax on Lump-Sum Distributions.



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# Credits

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## 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 expenses while you (and your spouse if you were married) worked or looked for work. But you must have had income from a job or through self-employment to do so.

The credit is allowed if you kept up a home that included a child **under age 13** or your dependent or spouse who could not care for himself or herself. Use **Form 2441** to figure the credit. To take the credit, you must show on Form 2441 the name, address, and identifying number of the person or organization who provided the care. You may use **Form W-10** to get this information from the care provider. For more details, including special rules that apply to divorced or separated parents, see Form 2441 and its instructions, and **Pub. 503**, Child and Dependent Care Expenses.

**Note:** *If someone cared for your child or disabled dependent in your home, both you and the employee may have to pay a share of the social security and Medicare 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 **Pub. 926**, Employment Taxes for Household Employers.*

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## Line 42

### Credit for the Elderly or the Disabled

You may be able to take this credit and reduce your tax if, by the end of 1991, you were:

- Age 65 or older, or
- Under age 65, you retired on **permanent and total** disability, and you had taxable disability income in 1991.

Even if you meet one of the above conditions, you generally cannot take the credit if you are:

- Single and the amount on Form 1040, line 32, is \$17,500 or more; or you received \$5,000 or more of nontaxable social security or other nontaxable pensions.
- Married filing a joint return, only one spouse is eligible for the credit, and the amount on Form 1040, line 32, is \$20,000 or more; or you received \$5,000 or more of nontaxable social security or other nontaxable pensions.
- Married filing a joint return, both spouses are eligible for the credit, and the amount on Form 1040, line 32, is \$25,000 or more; or you received \$7,500 or more of nontaxable social security or other nontaxable pensions.
- Married filing a separate return, you did not live with your spouse all year, and the amount on Form 1040, line 32, is \$12,500 or more; or you received \$3,750 or more of nontaxable social security or other nontaxable pensions.

For more details, see the separate instructions for Schedule R and **Pub. 524**, Credit for the Elderly or the Disabled. If you want the IRS to figure the credit for you, see **The IRS Will Figure Your Tax and Some of Your Credits** on page 24.

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## Line 43

### Foreign Tax Credit

**Form 1116** explains when you can take this credit for payment of income tax to a foreign country. Also get **Pub. 514**, Foreign Tax Credit for Individuals.

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## Line 44

### Other Credits

Complete line 44 if you can take any of the following credits.

**General Business Credit.** If you have two or more of the following general business credits, a general business credit carryforward, or a general business credit from a passive activity, you must also complete **Form 3800** to figure the total credit. Include on line 44 the amount from Form 3800. Also be sure to check Box **a** on line 44 for Form 3800. If you have only one general business credit, include on line 44 the amount of the credit from the form. Also, check Box **d** on line 44 and enter the form number for that credit.

**Form 3468, 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.

**Form 6478, Credit for Alcohol Used as Fuel.** If you sold 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. For more details, get **Pub. 378**, Fuel Tax Credits and Refunds.

**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.

**Form 8586, Low-Income Housing Credit and Schedule A (Form 8609), Annual Statement.** If you owned a building that was part of a low-income housing project, you may be able to take this credit. Use Form 8586 and Schedule A (Form 8609), to figure the credit. Also complete and attach **Form 8609**, Low-Income Housing Credit Allocation Certification.

**Form 8826, Disabled Access Credit.** If you paid or incurred expenses to make your business accessible to or usable by individuals with disabilities, you may be able to take this credit. Get Form 8826 for details.

**Form 8830, Enhanced Oil Recovery Credit.** You may be able to take a credit of 15% of your enhanced oil recovery costs. Use Form 8830 to claim the credit.

**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 main home. You must complete and attach **Form 8396**, Mortgage Interest Credit, to figure the amount of the credit to include in your total for line 44. Also check Box **b** on line 44. For more details, get **Pub. 530**, Tax Information for Homeowners.

**Credit for Prior Year Minimum Tax.** You may be able to take this credit if you paid alternative minimum tax in an earlier year. Get **Form 8801**, Credit for Prior Year Minimum Tax—Individuals, to see if you can take this credit. If you can, check Box **c** on line 44. For more details, get **Pub. 909**, Alternative Minimum Tax for Individuals.

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## Line 45

Add amounts on lines 41 through 44 and enter the total on line 45. Also include in the total on line 45 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 Internal Revenue 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 45. Enter the amount and "FNS" on the dotted line next to line 45.

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# Other Taxes

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## Line 47

### Self-Employment Tax

If you had self-employment income in 1991, and earned under \$125,000 in wages from which social security tax, Medicare tax, or railroad retirement (RTTA) tax was withheld, you may owe self-employment tax. Please see **Schedule SE** (Form 1040) and its instructions. If you owe self-employment tax, enter the amount from Schedule SE on line 47.

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## Line 48

### Alternative Minimum Tax

The tax law gives special treatment to some kinds of income and allows special deductions and credits for some kinds of expenses. If you benefit from these provisions, you may have to pay at least a minimum amount of tax through the alternative minimum tax. This tax is figured on **Form 6251**, Alternative Minimum Tax—Individuals.

To see if you should complete Form 6251, add the amounts on Form 1040, lines 34 and 36, plus the total of all adjustments and tax preference items that apply to you (see the list below). If the total is more than the dollar amount shown below for your filing status, fill out Form 6251.

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

#### Adjustment and Tax Preference Items:

1. Accelerated depreciation.
2. Amortization of certified pollution-control facilities.
3. Income from the exercise of incentive stock options figured under Internal Revenue Code section 83 in excess of the amount actually reported on your return.
4. Tax-exempt interest from private activity bonds (including exempt-interest dividends from a regulated investment company to the extent derived from private activity bonds).
5. Intangible drilling costs.
6. Depletion.
7. Circulation and research and experimental expenditures.
8. Mining exploration and development costs.
9. Tax shelter farm losses.
10. Passive activity losses.
11. Income from long-term contracts figured under the percentage of completion method in excess of the amount actually reported on your return.
12. Installment sales of certain property.

**Note:** A child under age 14 may owe the alternative minimum tax if the total of the child's adjusted gross income from line 32 plus the above items is more than the sum of \$1,000 plus the child's earned income.

---

## Line 49

### Recapture Taxes

You may owe the tax computed on **Form 4255**, Recapture of Investment Credit, if you disposed of investment credit property or changed its use before the end of its useful life or recovery period. See Form 4255 for details. If you owe this tax, check Box **a** and include the tax due on line 49.

If you disposed of property (or there was a reduction in the qualified basis of the property) on which you took the low-income housing credit, you may owe the tax computed on **Form 8611**, Recapture of Low-Income Housing Credit. See Form 8611 for more details. If you owe this tax, check Box **b** and include the tax due on line 49.

If you sold your home in 1991 and it was financed (in whole or part) from the proceeds of any tax-exempt qualified mortgage bond, you may owe the tax computed on **Form 8828**, Recapture of Federal Mortgage Subsidy. See Form 8828 for more details. If you owe this tax, check Box **c** and include the tax due on line 49.

---

## Line 50

### Social Security and Medicare 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, or your W-2 form(s) shows allocated tips that you must report in income, you must pay the social security and Medicare or railroad retirement (RRTA) tax on the unreported tips. If you reported the full amount to your employer but the social security and Medicare or RRTA tax was not withheld, you must pay it unless the rules discussed under **Uncollected Employee Social Security and Medicare or RRTA Tax on Tips** (line 53) apply.

To figure the amount of social security and Medicare tax on the tips, complete **Form 4137**, Social Security and Medicare Tax on Unreported Tip Income, and attach it to your Form 1040. Enter the tax on line 50.

To determine the amount of RRTA tax on the tips, contact your nearest Railroad Retirement Board office. Enter the tax on line 50. Write "RRTA" on the dotted line next to line 50.

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

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

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## Line 51

### Tax on Qualified Retirement Plans (Including IRAs)

You may owe this tax if any of the following applies:

1. You received any early distributions from a qualified pension plan (such as your IRA), qualified annuity plan, or tax-sheltered annuity plan.
2. You received any excess distributions from a plan mentioned in **1** above.
3. You made excess contributions to your IRA.
4. You had excess accumulations in a qualified pension plan (including an IRA).
5. You received any amount under a modified endowment contract entered into after June 20, 1988.

If any of the above applies, get **Form 5329** and its instructions to see if you owe this tax. Enter the tax from Form 5329 on Form 1040, line 51.

**Caution:** Be sure to include in income on line 16 or line 17, whichever applies, any early distributions you received from qualified retirement plans.

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## Line 52

### Advance Earned Income Credit Payments

Enter the total amount of advance earned income credit payments you received. These payments should be shown in Box 8 of your Form(s) W-2.

**Note:** See new Schedule EIC to figure the earned income credit you can actually take.

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## Line 53

### Total Tax

Add lines 46 through 52. Put the total on line 53. Also include in the total on line 53 any of the following that applies.

**Section 72(m)(5) Excess Benefits Tax.** If you are or were a 5% owner of a business and you received a distribution of excess benefits from a qualified pension or annuity plan, you may have to pay a penalty tax of 10% of the distribution. Get Pub. 560 for more details.

Include the amount of the penalty in your total for line 53. Write the amount and "Section 72(m)(5)" next to line 53.

**Uncollected Employee Social Security and Medicare or RRTA Tax on Tips.** If you did not have enough wages to cover the social security and Medicare tax or railroad retirement (RRTA) tax due on tips you reported to your employer, the amount of tax due should be identified with codes **A** and **B** in Box 17 of your Form W-2. Include this tax in the total for line 53. Write the amount of this tax and the words "Uncollected Tax" on the dotted line next to line 53.

**Uncollected Employee Social Security and Medicare or RRTA Tax on Group-Term Life Insurance.** If you had group-term life insurance through a former employer, you may have to pay social security and Medicare tax or RRTA tax on part of the cost of the life insurance. The amount of tax due should be identified with codes **M** and **N** in Box 17 of your Form W-2. Include this tax in the total for line 53. Enter the amount of this tax and the words "Uncollected Tax" on the dotted line next to line 53.

**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. Write the amount and "EPP" next to line 53.

If you received a **Form W-2** that includes a parachute payment, the amount of tax on any excess payment should be identified with code **K** in Box 17 of Form W-2. (Box 9 of Form W-2 should also include any amount withheld for this tax.) Include this tax in the total for line 53. Write the amount and "EPP" on the dotted line next to line 53.

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 53. Write the amount and "EPP" on the dotted line next to line 53.

# Payments

## Line 54

### Federal Income Tax Withheld

Add the amounts shown as Federal income tax withheld on your **Forms W-2, W-2G, and 1099-R**. Enter the total on line 54. The amount of Federal income tax withheld should be shown in Box 9 of Form W-2, Box 2 of Form W-2G, and Box 4 of Form 1099-R. If line 54 includes amounts withheld as shown on Form 1099-R, check the box on line 54.

**Backup Withholding.** If you were subject to backup withholding on dividends, interest income, or other income you received during 1991, include the amount withheld in the total on line 54. This should be shown in Box 2 of Form 1099-DIV and in Box 4 of the other 1099 forms. Be sure to check the box on line 54.

## Line 55

### 1991 Estimated Tax Payments

Enter on this line any payments you made on your estimated Federal income tax (**Form 1040-ES**) for 1991. Include any overpayment from your 1990 return that you applied to your 1991 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. Get **Pub. 505**, Tax Withholding and Estimated Tax, for more details on how to divide your payments. Please be sure to show both social security numbers in the space provided 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 these instructions even if your spouse died in 1991.

**Divorced Taxpayers.** If you were divorced during 1991 and you made joint estimated tax payments with your former spouse, enter your former spouse's social security number in the space provided on the front of Form 1040.

If you were divorced and remarried in 1991, enter your present spouse's social security number in the space provided on the front of Form 1040. Also, under the bold heading "Payments" to the left of line 55, enter your former spouse's social security number, followed by "DIV."

**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 1991, the Service Center where you made the payments, and the name(s) and social security number(s) under which you made the payments.

## Excess Social Security and Medicare Tax Worksheet—Line 58 (keep for your records)

If you are filing a joint return, you must figure any excess tax withheld separately for each spouse. Do NOT combine amounts of both husband and wife.

**Caution:** Do not use this worksheet if any RRTA tax was withheld from your pay. Instead, get **Pub. 505** to figure the excess amount.

1. Add all social security tax withheld but not more than \$3,310.80 for each employer (this tax should be shown in Box 11 of your W-2 forms). Enter the total here . . . . .	1. _____
2. Enter any uncollected social security tax on tips or group-term life insurance included in the total on Form 1040, line 53 . . . . .	2. _____
3. Add lines 1 and 2 . . . . .	3. _____
4. Social security tax limit . . . . .	4. <u>3,310.80</u>
5. Subtract line 4 from line 3 . . . . .	5. _____
6. Add all Medicare tax withheld but not more than \$1,812.50 for each employer (this tax should be shown in Box 15 of your W-2 forms). Enter the total here . . . . .	6. _____
7. Enter any uncollected Medicare tax on tips or group-term life insurance included in the total on Form 1040, line 53 . . . . .	7. _____
8. Add lines 6 and 7. If \$1,812.50 or less, enter -0- on line 10 and go to line 11 . . . . .	8. _____
9. Medicare tax limit . . . . .	9. <u>1,812.50</u>
10. Subtract line 9 from line 8. . . . .	10. _____
11. Add lines 5 and 10. Enter the total here and on Form 1040, line 58 . . . . .	11. _____

## Line 56

### Earned Income Credit

If the amount on line 31 is less than \$21,250 and a child lived with you, you may be able to take this credit. Read the instructions for **Schedule EIC** that begin on page 45 to see if you can take this credit. If you can, use Schedule EIC to figure the credit. If you want the IRS to figure the credit for you, see the instructions for Schedule EIC.

**Note:** If you got advance earned income credit (AEIC) payments in 1991, report these payments on line 52. If you are eligible, you may be able to get AEIC payments in 1992 by filing **Form W-5** with your employer.

## Line 57

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

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

## Line 58

### Excess Social Security, Medicare, and RRTA Tax Withheld—More Than One Employer

**Note:** **Form 4469**, Excess Medicare Tax Credit, previously used by certain government employees, is obsolete. These employees should use the worksheet on this page to figure the credit for any excess tax withheld.

### Excess Social Security and Medicare Tax Withheld.

If you had more than one employer for 1991, and your total wages were over \$53,400, your employers may have withheld too much social security tax. If your total wages were over \$125,000, your employers may have withheld too much Medicare tax. If so, you can take a credit for the excess amount on line 58. Use the worksheet on this page to figure the excess amount.

If any one employer withheld more than \$3,310.80 of social security tax, or more than \$1,812.50 of Medicare tax, you must ask your employer to refund the excess to you. You cannot claim it on your return.

### Excess Railroad Retirement (RRTA) Tax Withheld.

If you had more than one railroad employer for 1991 and your total compensation was over \$53,400, your employers may have withheld too much tier 1 tax. If your total compensation was over \$39,600, your employers may have withheld too much tier 2 tax. If so, you can take a credit for the excess amount on line 58. Get **Pub. 505**, Tax Withholding and Estimated Tax, to figure the excess amount. Do not use the worksheet on this page.

If any one employer withheld more than \$3,310.80 of tier 1 RRTA tax, more than \$1,812.50 of tier 1 Medicare tax, or more than \$1,940.40 of tier 2 tax, you must ask your employer to refund the excess to you. You cannot claim it on your return.

## Line 59

### Other Payments

**Regulated Investment Company Credit.** Include on this line the total amount of the credit from **Form 2439**, Notice to Shareholder of Undistributed Long-Term Capital Gains. Be sure to attach Copy B of Form 2439 and check Box a on line 59.

**Credit for Federal Tax on Fuels.** If you can take a credit for tax on gasoline, diesel fuel,

and other fuels used in your business, or for certain diesel-powered cars, vans, and light trucks, attach **Form 4136**. Include the credit on line 59 and check Box **b**.

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## Line 60

### Total Payments

Add lines 54 through 59 and enter the total on line 60. Also include on this line any credit for overpaid windfall profit tax (OWPT) from **Form 6249**. Write the amount and "OWPT" on the dotted line next to line 60. Be sure to attach Forms 6249 and 6248.

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## Refund or Amount You Owe

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### Line 61

#### Amount Overpaid (If line 60 is more than line 53)

Subtract line 53 from line 60 and enter the result on line 61. If line 61 is under \$1, we will send a refund only on written request.

**Note:** *If the amount you overpaid is large, you may be able to reduce the amount of income tax withheld from your pay. See **Income Tax Withholding and Estimated Tax Payments for 1992** on page 29.*

**Injured Spouse Claim.** If you file a joint return and your spouse has not paid certain obligations (such as child and spousal support payments and certain Federal debts such as student loans), all or part of the overpayment shown on line 61 may be used to pay the past due amount. But, your part of the overpayment may be refunded to you if **all three** of the following apply:

1. You are not obligated to pay the past due amount.
2. You received and reported income (such as wages, taxable interest, etc.) on the joint return.
3. You made and reported payments (such as Federal income tax withheld from your wages or estimated tax payments) on the joint return.

If **all three** of the above conditions apply and you want your part of the overpayment refunded to you, complete **Form 8379**, Injured Spouse Claim and Allocation, and attach it to Form 1040 when you file your return. Write "Injured Spouse" in the upper left corner of Form 1040.

**Note:** *If you are filing an injured spouse claim to receive your part of a joint overpayment for a return you have already filed, use only Form 8379 to obtain your refund. Do **not** attach it to Form 1040.*

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## Line 63

### Applied to 1992 Estimated Tax

Subtract line 62 from line 61. Enter the result on line 63. This is the amount that will be applied to your estimated tax for 1992. We will apply this amount 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.

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## Line 64

### Amount You Owe (If line 53 is more than line 60)

Subtract line 60 from line 53 and enter the result on line 64. This is the amount you owe.

Attach your check or money order for the full amount when you file. If line 64 is under \$1, you do not have to pay. **Do not** include any estimated tax payment in your check or money order. Mail any estimated tax payment in a separate envelope from the one you use to pay the tax due on Form 1040.

**Note:** *If you owe tax for 1991, you may need to increase the amount of income tax withheld from your pay or make estimated tax payments for 1992. See **Income Tax Withholding and Estimated Tax Payments for 1992** on page 29.*

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## Line 65

### Estimated Tax Penalty

If line 64 is at least \$500 and it is more than 10% of the tax shown on your return, or you underpaid your 1991 estimated tax liability for any payment period, you may owe a penalty. Get **Form 2210** (**Form 2210F** for farmers and fishermen) to see if you owe a penalty and to figure the amount. If you want, the IRS will figure the penalty for you and send you a bill. But see **Lowering Your Penalty** below.

**How To Avoid the Penalty.** You will not owe the penalty or have to complete Form 2210 (or 2210F) if **either** of the following applies:

1. You had no tax liability for 1990, you were a U.S. citizen or resident for all of 1990, AND your 1990 tax return was for a tax year of 12 full months, or
2. The total of lines 54, 55, and 58 of your 1991 return is at least as much as your 1990 tax liability, AND your 1990 tax return was for a tax year of 12 full months. Your estimated tax payments for 1991 must have been made on time and for the required amount.

**Figuring the Penalty.** If you cannot avoid the penalty and you choose to figure it yourself on Form 2210 (or 2210F), enter the penalty amount on Form 1040, line 65. Do not attach Form 2210 to your return. Add the penalty amount to any tax due and enter the total on line 64. If you are due a refund, subtract the penalty amount from the overpayment you show on line 61.

If you leave line 65 blank, the IRS will figure the penalty and send you a bill. We will not begin to charge you interest on the penalty until 10 days after the notice date.

**Lowering Your Penalty.** If any of the conditions below applies to you, you may be able to lower the amount of your penalty. But you must complete and attach Form 2210 (or 2210F) to your return to do so.

- You claim a waiver, or
- Your income varied during the year and you use the annualized income installment method to figure your required installment payments, or

- You had Federal income tax withheld from your wages and you treat it as being paid when it was actually withheld (instead of in four equal amounts).

For more details, see the instructions for Form 2210 (2210F).

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## Sign Your Return

Form 1040 is not considered a valid 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 have someone prepare your return, you are still responsible for the correctness of the return. If you are filing a joint return with your deceased spouse, see **Death of Taxpayer** on page 29.

**Child's Return.** If your child cannot sign his or her return, sign your child's name in the space provided. Then add "By (your signature), parent for minor child."

### **Paid Preparers Must Sign Your Return.**

Generally, anyone you pay to prepare your return must sign it. A preparer who signs your return must sign it by hand in the space provided (signature stamps or labels cannot be used) and give you a copy of the return for your records. Someone who prepares your return for you but does not charge you should not sign your return.

# Section 5.

## General Information

### Income Tax Withholding and Estimated Tax Payments for 1992

If the amount you owe (line 64) or the amount you overpaid (line 61) is large, you may want to file a new **Form W-4**, Employee's Withholding Allowance Certificate, with your employer to change the amount of income tax to be withheld from your pay. If you go back to work after a period of unemployment, you may be able to reduce your withholding.

In general, you do not have to make estimated tax payments if you expect that your 1992 Form 1040 will show a tax refund or a tax balance due the IRS of less than \$500. If your total estimated tax (including any alternative minimum tax) for 1992 is \$500 or more, get **Form 1040-ES**, Estimated Tax for Individuals. It has a worksheet you can use to see if you have to make estimated tax payments.

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

### Do Both the Name and Social Security Number on Your Tax Forms Agree With Your Social Security Card?

If not, your refund may be delayed or you may not receive credit for your social security earnings. If your Form W-2, Form 1099, or other tax document shows an incorrect social security number or name, notify your employer or the form-issuing agent as soon as possible to make sure your earnings are credited to your social security record. If the name or number on your social security card is incorrect, call the Social Security Administration toll free at 1-800-772-1213.

### Gift To Reduce the Public Debt

You may make a gift to reduce the public debt. If you wish to do so, enclose a separate check with your income tax return. Make it payable to "Bureau of the Public Debt." You may be able to deduct this gift on your 1992 tax return if you itemize your deductions. Do not add your gift to any tax you may owe. If you owe tax, include a separate check for

that amount payable to "Internal Revenue Service."

### Address Change

If you move, always notify in writing the Internal Revenue Service center where you filed your last return, or the Chief, Taxpayer Service Division, in your local IRS district office. You can use **Form 8822**, Change of Address, to notify us of your new address. If you move after you file your return and you are expecting a refund, also notify the post office serving your old address. This will help to forward your check to your new address.

### Corresponding With the IRS

Be sure to include your social security number in any correspondence with the IRS. If you do not include it, it may take us longer to reply.

### 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 home) as long as they are needed to figure the basis of the original or replacement property. For more details, get **Pub. 552**, Recordkeeping for Individuals.

### Requesting a Copy of Your Tax Return

If you need a copy of your tax return, use **Form 4506**, Request for Copy of Tax Form. There is a charge of \$4.25. If you need tax account information, contact your local IRS office. If you want a printed copy of your account, it will be mailed to you free of charge.

### Amended Return

If you find changes in your income, deductions, or credits after you mail your return, file **Form 1040X**, Amended U.S. Individual Income Tax Return, to change the return you already filed. If you filed a joint return, you

may not, after the due date of that return, amend it to file as married filing a separate return. Generally, Form 1040X must be filed within 3 years after the date the original return was filed, or within 2 years after the date the tax was paid, whichever is later. A return filed early is considered filed on the date it was due.

If your return is changed for any reason (for example, as a result of an audit by the IRS), it may affect your state income tax return. Contact your state tax agency for more details.

### Death of Taxpayer

If a taxpayer died before filing a return for 1991, the taxpayer's spouse or personal representative may have to file and sign a return for the person who died. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased person's property.

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

The person who files the return should write "DECEASED," the deceased's name, and the date of death across the top of the tax return.

If your spouse died in 1991 and you did not remarry in 1991, you can file a joint return. You can also file a joint return if your spouse died in 1992 before filing a 1991 return. A joint return should show your spouse's 1991 income before death and your income for all of 1991. 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.

**Claiming a Refund for a Deceased Person.** If you are a surviving spouse filing a joint return with the deceased, file only the tax return to claim the refund. If you are a court-appointed representative, file the return and attach a copy of the certificate that shows your appointment. All other filers requesting the deceased taxpayer's refund should file the return and attach **Form 1310**.

For more details, see **Tele-Tax Information** in the index (topic no. 158) or get **Pub. 559**, Tax Information for Survivors, Executors, and Administrators.

# Section 6.

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## Penalties and Interest

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### 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, negligence, fraud, substantial valuation overstatements, and substantial understatements of tax. Interest is charged on the penalty from the due date of the return (including extensions).

If you include interest with your payment, identify and enter the interest in the bottom margin of Form 1040, page 2. Do **not** include the interest in the **Amount You Owe** on line 64.

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### Late Filing of Return

If you do not file your return by the due date (including extensions), the penalty is usually 5% of the amount due for each month or part of a month your return is late, unless you have a reasonable explanation. If you do, attach it to your return. The penalty cannot usually be more than 25% of the tax due. If your return is more than 60 days late, the minimum penalty will be \$100 or the amount of any tax you owe, whichever is smaller.

If you include this penalty with your payment, identify and enter the penalty amount in the bottom margin of Form 1040, page 2. Do **not** include the penalty amount in **Amount You Owe** on line 64.

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### Late Payment of Tax

If you pay your taxes late, the penalty is usually  $\frac{1}{2}$  of 1% of the unpaid amount for each month or part of a month the tax is not paid. The penalty cannot be more than 25% of the unpaid amount. It applies to any unpaid tax on the return and to any additional tax shown on a bill not paid within 10 days of the date of the bill. This penalty is in addition to interest charges on late payments.

If you include this penalty with your payment, identify and enter the penalty amount in the bottom margin of Form 1040, page 2. Do **not** include the penalty amount in **Amount You Owe** on line 64.

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### 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 that 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 altering or striking out the pre-printed language above the space where you sign.

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### Other Penalties

Other penalties can be imposed for negligence, substantial understatement of tax, and fraud. Criminal penalties may be imposed for willful failure to file, tax evasion, or making a false statement. Get **Pub. 17, Your Federal Income Tax**, for details on some of these penalties.















# 1991 Tax Rate Schedules

**Caution:** Use **only** if your taxable income (Form 1040, line 37) is \$50,000 or more. If less, use the **Tax Table**. (Even though you cannot use the tax rate schedules below if your taxable income is less than \$50,000, all levels of taxable income are shown so taxpayers can see the tax rate that applies to each level.)

## Schedule X—Use if your filing status is **Single**

If the amount on Form 1040, line 37, is: <i>Over—</i>	<i>But not over—</i>	Enter on Form 1040, line 38	<i>of the amount over—</i>
\$0	\$20,350	..... 15%	\$0
20,350	49,300	<b>\$3,052.50 + 28%</b>	<b>20,350</b>
49,300	.....	<b>11,158.50 + 31%</b>	<b>49,300</b>

## Schedule Y-1—Use if your filing status is **Married filing jointly or Qualifying widow(er)**

If the amount on Form 1040, line 37, is: <i>Over—</i>	<i>But not over—</i>	Enter on Form 1040, line 38	<i>of the amount over—</i>
\$0	\$34,000	..... 15%	\$0
34,000	82,150	<b>\$5,100.00 + 28%</b>	<b>34,000</b>
82,150	.....	<b>18,582.00 + 31%</b>	<b>82,150</b>

## Schedule Y-2—Use if your filing status is **Married filing separately**

If the amount on Form 1040, line 37, is: <i>Over—</i>	<i>But not over—</i>	Enter on Form 1040, line 38	<i>of the amount over—</i>
\$0	\$17,000	..... 15%	\$0
17,000	41,075	<b>\$2,550.00 + 28%</b>	<b>17,000</b>
41,075	.....	<b>9,291.00 + 31%</b>	<b>41,075</b>

## Schedule Z—Use if your filing status is **Head of household**

If the amount on Form 1040, line 37, is: <i>Over—</i>	<i>But not over—</i>	Enter on Form 1040, line 38	<i>of the amount over—</i>
\$0	\$27,300	..... 15%	\$0
27,300	70,450	<b>\$4,095.00 + 28%</b>	<b>27,300</b>
70,450	.....	<b>16,177.00 + 31%</b>	<b>70,450</b>

# Section 8.

## Instructions for Schedules to Form 1040

### Instructions for Schedule A, Itemized Deductions

Some taxpayers should itemize their deductions because they will save money. See **Itemized Deductions or Standard Deduction** on page 23.

If you itemize, you can deduct part of your medical and dental expenses and unreimbursed employee business expenses, and amounts you paid for certain taxes, interest, contributions, and miscellaneous expenses. You may also deduct certain moving expenses and casualty and theft losses.

### Medical and Dental Expenses

#### Changes You Should Note

**Health Insurance Credit.** If the amount on Form 1040, line 32, is less than \$21,250, you may also be able to claim the health insurance credit on **Schedule EIC**, Earned Income Credit. See the instructions on page 45 to see if you can. If you claim the health insurance credit, subtract the amount of that credit from your total medical and dental expenses before you enter an amount on Schedule A, line 1.

**Cosmetic Surgery.** Beginning in 1991, you cannot deduct the cost of cosmetic surgery unless the procedure was necessary to improve a deformity resulting from, or directly related to, a congenital abnormality, an injury from an accident or trauma, or a disfiguring disease.

#### Lines 1 through 4

Before you can figure your total deduction for medical and dental expenses, you must complete Form 1040 through line 32.

You may deduct only that part of your medical and dental expenses that is more than 7.5% of the amount on Form 1040, line 32.

**Line 1.** Enter the total of your medical and dental expenses, after you reduce these expenses by any payments received from insurance or other sources. Include amounts you paid for doctors, dentists, nurses, hospitals, prescription medicine and drugs, or for insulin. Include amounts you paid for transportation and lodging, and other expenses such as hearing aids, dentures, eyeglasses, and contact lenses.

Also include the amount you paid for insurance premiums for medical and dental care, after you reduce that amount by any self-employed health insurance deduction you claimed on Form 1040, line 26, and any health insurance credit you claimed on Schedule EIC, line 16.

If your insurance company paid your doctor or dentist directly for part of your medical expenses, and you paid only the amount that remained, include in your medical expenses **ONLY** the amount you paid.

If you received a reimbursement in 1991 of prior year medical or dental expenses, do not reduce your 1991 expenses by this amount. You must include the reimbursement in income on Form 1040, line 22, if you deducted the medical expenses in the earlier year and the deduction reduced your tax. **Pub. 502**, Medical and Dental Expenses, tells you how to figure the amount to include in income.

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 13 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 \$2,150 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 \$2,150 of wages during 1991. If part of your support was the payment of her medical bills, you may include that part in your medical expenses.

#### Examples of Medical and Dental Payments You May Deduct

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

- Prescription medicines and drugs, 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 or alcohol addiction.
- Medical aids such as hearing aid batteries, 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

• The basic cost of Medicare insurance (Medicare A).

**Note:** If you were 65 or older but not entitled to social security benefits, you may deduct premiums you voluntarily paid for Medicare A coverage.

- Life insurance or income protection policies.
- The Medicare tax withheld from your pay or the Medicare tax paid as part of 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.
- Nonprescription medicines or drugs.
- Travel your doctor told you to take for rest or change.
- Funeral, burial, or cremation costs.

Pub. 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.

### Taxes You Paid

#### Lines 5 through 8

##### Taxes You May Deduct

**Line 5—State and Local Income Taxes.** Include on this line the state and local income taxes listed below:

- State and local income taxes withheld from your salary during 1991 (your Form(s) W-2 will show these amounts).
- State and local income taxes paid in 1991 for a prior year (such as taxes paid with your

1990 state or local income tax return). Do **not** include penalties or interest.

- State and local estimated tax payments made during 1991 (including any part of a prior year refund that you chose to have credited to your 1991 state or local income taxes).

**Do not** reduce your deduction by:

- Any state or local income tax refund (or credit) you expect to receive for 1991, or
- Any refund of (or credit for) prior year state and local income taxes you actually received in 1991 (see the instructions for Form 1040, line 10).

**Line 6—Real Estate Taxes.** Include taxes you paid on property you own that was not used for business. **Pub. 530** 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.

**Line 7—Other Taxes.** If you had any deductible tax not listed on Schedule A, line 5 or 6 (such as personal property tax or foreign income tax), list the tax and the amount of tax. Enter one total on line 7.

Personal property tax must be an annual tax 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 the car's 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. Get **Pub. 514** for details.

You can deduct mandatory contributions you made to state disability benefit funds that provide protection against loss of wages. Payments made to the following disability funds are deductible:

- California Nonoccupational Disability Benefit Fund.
- New Jersey Nonoccupational Disability Benefit Fund.
- New York Nonoccupational Disability Benefit Fund.
- Rhode Island Temporary Disability Benefit Fund.

## Taxes You May Not Deduct

- Federal income and excise taxes.
- Social security, Medicare, and railroad retirement (RRTA) taxes.
- Customs duties.
- Federal estate and gift taxes. (However, see **Expenses Not Subject to the 2% Limit** on page 41.)
- Certain state and local taxes, including: general sales tax, tax on gasoline, car inspection fees, assessments for sidewalks or other improvements to your property, tax you paid for someone else, and license fees (marriage, driver's, dog, etc.).

## Interest You Paid

### Lines 9a through 12

Include interest you paid on nonbusiness items only. Whether your interest expense is

treated as investment interest, personal interest, or business interest depends on how and when you used the loan proceeds. Get **Pub. 535**, Business Expenses, for details.

In general, if you paid interest in 1991 that includes amounts that apply to any period after 1991, you may deduct only the amount that applies for 1991.

## Interest You May Deduct

**Home Mortgage Interest.** In most cases, you will be able to deduct all of your home mortgage interest. The following rules apply to any loans secured by your main home, including first and second mortgages, home equity loans, and refinanced mortgages. Whether your home mortgage interest is deductible depends on the date you took out the mortgage, the amount of the mortgage, and your use of its proceeds.

If ALL of your mortgages fit into one or more of categories **a**, **b**, and **c** below, you can deduct all of the interest on those mortgages and report it on Schedule A, line 9a or 9b, whichever applies. If one or more of your mortgages does not fit into any of the categories below, get **Pub. 936**, Home Mortgage Interest Deduction, to figure the amount of interest you can deduct.

**a. Mortgages you took out on your main home on or before October 13, 1987.** These mortgages also include line-of-credit mortgages you had on October 13, 1987, and mortgages you had on October 13, 1987, that you refinanced after that date. But see **Special Rules** below if you refinanced or borrowed additional amounts on a line-of-credit mortgage after October 13, 1987.

**b. Mortgages you took out on your main home after October 13, 1987, to buy, build, or improve your home,** but only if these mortgages plus any mortgages in **a** above totaled \$1 million or less throughout 1991. The limit is \$500,000 or less if married filing separately.

**c. Mortgages you took out after October 13, 1987, on your main home, other than to buy, build, or improve your home,** but only if these mortgages totaled \$100,000 or less throughout 1991. The limit is \$50,000 or less if married filing separately. An example is a home equity loan you used to pay off credit card bills, to buy a car, or to pay tuition costs.

**Note:** Additional limits apply if the total amount of all mortgages exceeds the fair market value of the home. See **Pub. 936**.

## Special Rules

**Refinanced Mortgages.** If you had a mortgage on your home on October 13, 1987, and refinanced it after that date for no more than the balance of the old mortgage, all of the new mortgage is treated as a mortgage described in **a** above. But, if you refinanced it for more than the balance of the old mortgage, only the part of the new mortgage equal to the amount you owed on the old mortgage at the time you refinanced it is treated as a mortgage described in **a**. The part of the new mortgage that is more than the balance of the old mortgage is a mortgage described in **b** or **c** (or **b** and **c** if a **mixed-use mortgage**—see below).

**Line-of-Credit Mortgages.** If you had a line-of-credit mortgage on your home on October 13, 1987, and you borrowed additional

amounts on this line of credit after that date, the additional amounts borrowed are treated as a mortgage taken out after October 13, 1987, and are subject to the rules under **b** or **c** (or **b** and **c** if a **mixed-use mortgage**—see below).

**Mixed-Use Mortgages.** If you took out a new mortgage after October 13, 1987 (including refinancing for more than what you owed or borrowing additional amounts on a line-of-credit mortgage you had on October 13, 1987) for purposes described in both **b** and **c** above, you have a mixed-use mortgage. The mortgage proceeds used to buy, build, or improve the home fit into category **b** and the rest of the proceeds fit into category **c**.

**What Is a Home?** A home may be a house, condominium, cooperative, mobile home, boat, or similar property. It must provide basic living accommodations, including sleeping space and toilet and cooking facilities.

**More Than One Home.** If you had a main home and a second home, the dollar limits explained in **b** and **c** above apply to the total mortgages on both homes. See **Pub. 936** for more details.

**Line 9a.** Enter on line 9a mortgage interest and points reported to you on **Form 1098**, Mortgage Interest Statement. (If you did not receive a Form 1098, enter the interest on line 9b and any deductible points on line 10.)

If you paid \$600 or more of mortgage interest (including points paid to buy your main home), the recipient will generally send you a Form 1098, or similar statement, by January 31, 1992. This form shows the total interest and points the recipient received from you during 1991.

If you paid more interest to financial institutions than is shown on Form 1098, get **Pub. 936** to see if you can deduct the additional interest. If you can, attach a statement explaining the difference and write "See attached" next to line 9a.

**Note:** If you qualify for the *Mortgage Interest Credit* (see instructions for Form 1040, line 44), subtract the amount shown on line 3 of Form 8396 from the total deductible interest you paid on your home mortgage and enter the result on line 9a.

**Line 9b.** If the recipient was not a financial institution or you did not receive a Form 1098 from the recipient, report your deductible mortgage interest on line 9b.

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 that person. Next to line 9b, write "See attached."

**Line 10—Points Not Reported on Form 1098.** Generally, points (including loan origination fees) charged **only** for the use of money are deductible over the life of your mortgage.

**Exception.** Points may be deducted in the year paid if the loan was used to **buy or improve your main home**, the loan was secured by that home, the points were paid with funds other than those obtained from the lender, it is customary to charge points in the area where the loan was made, and the points paid did not exceed the points usually charged in that area. This generally

does not apply to points paid to refinance your mortgage. For more details, see Pub. 936.

**Line 11—Investment Interest.** Investment interest is interest paid on money you borrowed that is allocable to property held for investment. It does not include any interest allocable to a passive activity.

Complete and attach **Form 4952**, Investment Interest Expense Deduction, to figure your deduction.

**Exception.** You do not have to file Form 4952 if **all** of the following apply:

- Your only investment income was from interest or dividends,
- You have no other deductible expenses connected with the production of the interest or dividends,
- Your investment interest expense is not more than your investment income, and
- You have no carryovers of investment interest expense from 1990.

For more details, get **Pub. 550**, Investment Income and Expenses.

### Interest You May Not Deduct

- Personal interest, such as interest paid on car loans, student loans, credit cards, charge accounts, etc.
- Interest paid on your debts by others, such as mortgage interest subsidy payments made by a government agency.
- Interest you paid for:

a. Certain loans against your interest in a 401(k) plan or a tax-sheltered annuity plan that were made, renewed, renegotiated, modified, or extended after 1986. Get **Pub. 575**, Pension and Annuity Income (Including Simplified General Rule), for details.

b. 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.

c. A loan on life insurance if the interest is added to the loan and you report on the cash basis.

d. A debt to buy a single-premium life insurance or endowment contract.

e. Any kind of business transaction. (Use Schedule C, E, or F of Form 1040 to deduct business interest expenses.)

See Pub. 535 for more details.

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## Gifts to Charity

### Lines 13 through 16

You may deduct contributions or gifts you 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 and Girls Clubs 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.

**Caution:** *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. For more information, get **Pub. 526**, Charitable Contributions.*

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

### Contributions You May Deduct

Contributions may be in cash (keep canceled 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.)

**Limit on the Amount You May Deduct.** Get Pub. 526 to figure the amount of your deduction if any of the following applies:

- Your cash contributions or contributions of ordinary income property are more than 30% of the amount shown on Form 1040, line 32,

- Your gifts of capital gain property to certain organizations are more than 20% of the amount shown on Form 1040, line 32, or

- You gave gifts of property that increased in value or gave gifts of the use of property.

### You May Not Deduct as Contributions

- Travel expenses (including meals and lodging) while away from home unless there was no significant element of personal pleasure, recreation, or vacation in the travel.

- Political contributions.

- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.

- Value of any benefit, such as food, entertainment, or merchandise, that you received in connection with a contribution to a charitable organization.

**Example.** You paid \$100 to a charitable organization to attend a fund-raising dinner. To figure the amount of your deductible charitable contribution, subtract the value of the dinner from the total amount you paid. If the value of the dinner was \$40, your deductible contribution is \$60.

- Cost of raffle, bingo, or lottery tickets.

- Cost of tuition.

- 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. For each gift of property, you should also keep reliable written records that include:

- 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 if you made a "qualified conservation contribution" under section 170(h), your records should contain additional information. See Pub. 526 for details.*

**Line 13.** Enter the total contributions you made in cash or by check (including out-of-pocket expenses).

**Line 14.** 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 the amount of your deduction 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. For this purpose, the "amount of your deduction" means your deduction BEFORE applying any income limitations that could result in a carryover of contributions. See Form 8283 and its instructions for details.

**Line 15.** Enter any carryover of contributions that you were not able to deduct in an earlier year because they exceeded your adjusted gross income limit. See Pub. 526 for details on how to figure a carryover.

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## Casualty and Theft Losses

### Line 17

Use line 17 to report casualty or theft losses of property that is not trade or business, income-producing, or rent or royalty property. Complete and attach **Form 4684**, Casualties and Thefts, to figure your loss. Enter on



line 17 of Schedule A the amount of loss from Form 4684.

## Losses You May Deduct

You may be able to deduct part or all of each loss caused by theft, vandalism, fire, storm, or similar causes, and car, boat, and other accidents. You may also be able to deduct money you had in a financial institution but lost because of the insolvency or bankruptcy of the institution.

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

- the amount of **each** separate casualty or theft loss is more than \$100, and
- the total amount of **all** losses during the year is more than 10% of the amount shown on Form 1040, line 32.

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 20 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 **Pub. 547**, Nonbusiness Disasters, Casualties, and Thefts. It also gives information about Federal disaster area losses.

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# Moving Expenses

## Line 18

Employees and self-employed persons (including partners) can deduct certain moving expenses.

You can take this deduction if you moved in connection with your job or business and your new workplace is at least 35 miles farther from your old home than your old home was from your old workplace. If you had no former workplace, your new workplace must be at least 35 miles from your old home. If you meet these requirements, see **Tele-Tax Information** in the index (topic no. 304) or **Pub. 521**, Moving Expenses. Complete and attach **Form 3903** to figure the amount of moving expenses to enter on line 18. If you began work at a new workplace outside the United States or its possessions, get **Form 3903F**, Foreign Moving Expenses.

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# Miscellaneous Deductions

## Lines 19 through 25

Most miscellaneous deductions cannot be deducted in full. You must subtract 2% of your adjusted gross income from the total. You figure the 2% limit on line 23.

Generally, the 2% limit applies to job expenses you paid for which you were not re-

imbursed (line 19). The limit also applies to certain expenses you paid to produce or collect taxable income (line 20). See the instructions for lines 19 and 20 for examples of expenses to claim on these lines.

The 2% limit does not apply to certain other miscellaneous expenses that you may deduct. The line 25 instructions describe these expenses. Included are deductible gambling losses (to the extent of winnings) and certain job expenses of disabled employees. Get **Pub. 529**, Miscellaneous Deductions, for more details.

## Expenses Subject to the 2% Limit (Lines 19 and 20)

**Line 19.** Use this line to report job expenses you paid for which you were not reimbursed. In some cases you **MUST** first fill out **Form 2106**, Employee Business Expenses. Fill out Form 2106 for all your job expenses if:

- You claim any travel, transportation, meal, or entertainment expenses for your job; OR
- Your employer paid you for any of your job expenses reportable on line 19.

If either of the above applies, enter the amount from line 11 of Form 2106 on line 19 of Schedule A.

If you don't have to fill out Form 2106, just list the type and amount of your expenses on the dotted line for line 19. If you need more space, attach a statement showing the type and amount of the expense. Enter one total on line 19.

Examples of expenses to include on line 19 are:

- Travel, transportation, meal, or entertainment expenses. (**Note:** *If you have any of these expenses, you must use Form 2106 for all of your job expenses.*)
- Union dues.
- 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, 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.
- Business use of part of your home but only if you use that part exclusively and on a regular basis in your work and for the convenience of your employer. For details, including limits that apply, see **Tele-Tax Information** in the index (topic no. 309) or **Pub. 587**, Business Use of Your Home.
- Educational expenses you paid that were required by your employer, or by law or regulations, to keep your salary or job. In general, you may also include the cost of keeping or improving skills you must have in your job. For more details, see **Tele-Tax Information** in the index (topic no. 313) or **Pub. 508**, Educational Expenses. Some educational expenses are not deductible. See **Expenses You May Not Deduct** on this page.

**Line 20.** Use this line for amounts you paid to produce or collect taxable income, manage or protect property held for earning income, and for tax preparation fees. List the type and amount of each expense on the dotted lines for line 20. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 20. Examples of these expenses are:

- Tax return preparation fees (including fees paid for filing your return electronically).
- Safe deposit box rental.
- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (e.g., trust account) fees.
- Your share of the investment expenses of a regulated investment company.
- Certain losses on nonfederally insured deposits in an insolvent or bankrupt financial institution. For details (including limits on the amount you can deduct), see Pub. 529.
- Deduction for repayment of amounts under a claim of right if \$3,000 or less.

## Expenses Not Subject to the 2% Limit (Line 25)

Use this line to report miscellaneous deductions that are not subject to the 2% AGI limit. Only the expenses listed below can be deducted on line 25:

- Gambling losses to the extent of gambling winnings. Report gambling winnings on Form 1040, line 22.
- Federal estate tax on income in respect of a decedent.
- Amortizable bond premium on bonds acquired before October 23, 1986.
- Deduction for repayment of amounts under a claim of right if more than \$3,000. See Pub. 525.
- Certain unrecovered investment in a pension. Get **Pub. 575**, Pension and Annuity Income (Including Simplified General Rule), for details.
- Impairment-related work expenses of a disabled person.

List the type and amount of each expense. Enter one total on line 25. For more details on these expenses, see Pub. 529.

## Expenses You May Not Deduct

Examples of nondeductible expenses are:

- Political contributions.
- Personal legal expenses.
- Lost or misplaced cash or property (but see **Casualty and Theft Losses** on page 40).
- Expenses for meals during regular or extra work hours.
- The cost of entertaining friends.
- Expenses of going to or from your regular workplace.
- Education that you need to meet minimum requirements for your job or that will qualify you for a new occupation.
- Expenses of:
  - Travel as a form of education.
  - Attending a seminar, convention, or similar meeting unless it is related to your employment.
  - Adopting a child, including a child with special needs.
- Fines and penalties.

- Expenses of producing tax-exempt income.

# Total Itemized Deductions

## Line 26

People with higher incomes may not be able to deduct all of their itemized deductions. If the amount on Form 1040, line 32, is more than \$100,000 (\$50,000 if married filing separately), use the worksheet on this page to figure the amount you may deduct.

### Itemized Deductions Worksheet—Line 26 (keep for your records)

1.	Add the amounts on Schedule A, lines 4, 8, 12, 16, 17, 18, 24, and 25 . . . . .	1.	_____
2.	Add the amounts on Schedule A, lines 4, 11, and 17, plus any gambling losses included on line 25 . . . . .	2.	_____
<b>Caution:</b> <i>Be sure your total gambling losses are clearly identified on the dotted line next to line 25.</i>			
3.	Subtract line 2 from line 1. (If the result is zero, <b>STOP HERE</b> ; enter the amount from line 1 above on Schedule A, line 26.)	3.	_____
4.	Multiply line 3 above by 80% (.80) . . . . .	4.	_____
5.	Enter the amount from Form 1040, line 32 . . . . .	5.	_____
6.	Enter \$100,000 (\$50,000 if married filing separately) . . . . .	6.	_____
7.	Subtract line 6 from line 5. (If the result is zero or less, <b>STOP HERE</b> ; enter the amount from line 1 above on Schedule A, line 26.)	7.	_____
8.	Multiply line 7 above by 3% (.03) . . . . .	8.	_____
9.	Compare the amounts on lines 4 and 8 above. Enter the <b>smaller</b> of the two amounts here . . . . .	9.	_____
10.	<b>Total itemized deductions.</b> Subtract line 9 from line 1. Enter the result here and on Schedule A, line 26 . . . . .	10.	_____

# Instructions for Schedule B, Interest and Dividend Income

Use Schedule B if you are filing Form 1040 and any of the following applies:

- You had over \$400 in taxable interest,
- You are claiming the exclusion of interest from series EE U.S. savings bonds issued after 1989,
- You had over \$400 in dividends,
- You had a foreign account, or
- You were a grantor of, or transferor to, a foreign trust.

Part III of the schedule has questions about foreign accounts and trusts.

## Part I. Interest Income

### Lines 1 through 4

To see what interest income you must report, read the instructions for Form 1040, line 8a, on page 15.

The payer should send you a **Form 1099-INT** or **Form 1099-OID**, if applicable, showing interest you must report. A copy of the form is also sent to the IRS.

**Line 1.** Report on line 1 **all** taxable 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. If you received interest income 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, list this interest first. Be sure to show the payer's name. Also, write "SFM" after the payer's name.

**Nominees.** If you received interest as a nominee (that is, in your name, but the interest actually belongs to someone else), include on line 1 the nominee interest shown on Form 1099-INT. Also, several lines above line 2, put a subtotal of all interest income listed on line 1. Below this subtotal, write "Nominee Distribution" and show the total interest you received as a nominee. Then, subtract this amount from the subtotal and enter the result on line 2.

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

**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.** You should not have received a **Form 1099-INT** for tax-exempt interest. But, if you did, report the interest on line 1. Also, several lines above line 2, put a subtotal of all interest listed on line 1. Below this subtotal, write "Tax-Exempt Interest" and show the amount. Then, subtract this amount from the subtotal and enter the result on line 2. Be sure to also include this tax-exempt interest on Form 1040, line 8b.

**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 for **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."

**Amortizable Bond Premium.** If you are reducing your interest income on a bond by the amount of amortizable bond premium, report the total interest on the bond on line 1. Also, several lines above line 2, put a subtotal of all interest listed on line 1. Below this subtotal, write "ABP Adjustment" and show the amount. Then, subtract this amount from the subtotal and enter the result on line 2.

**Line 3—Excludable Savings Bond Interest.** If you cashed series EE U.S. savings bonds during 1991 that were issued after 1989 and **all three** of the following conditions apply, you may be able to exclude part or all of the interest on those bonds.

1. The bonds were issued in your name (or, if married, in your name and your spouse's name) and you were age 24 or older before the bonds were issued.
2. You paid qualified higher education expenses during 1991 for yourself, your spouse, or your dependents.
3. Your filing status is single, married filing a joint return, head of household, or qualifying widow(er) with dependent child.

If you meet **all three** of the above conditions, get **Form 8815**, Exclusion of Interest From Series EE U.S. Savings Bonds Issued After 1989, to figure the amount of any interest you can exclude.

## Part II. Dividend Income

### Lines 5 through 10

To see what dividend income you must report, read the instructions for Form 1040, line 9, on page 16.

The payer should send you a **Form 1099-DIV** showing dividends you must report. A copy of the form is also sent to the IRS.

**Line 5.** Report on line 5 **all** of your dividend income. Include capital gain and nontaxable distributions. They will be deducted on lines 7 and 8. Include cash and the value of stock, property, or merchandise you received as a dividend. If you owned shares in a mutual

fund, get **Pub. 564**, Mutual Fund Distributions.

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

**Nominees.** If you received dividends as a nominee (that is, in your name, but the dividends actually belong to someone else), include on line 5 the nominee dividends shown on Form 1099-DIV, even if you later distributed some or all of this income to others. Also, several lines above line 6, put a subtotal of all dividends listed on line 5. Below this subtotal, write "Nominee Distribution" and show the total dividends you received as a nominee. Then, subtract this amount from the subtotal and enter the result on line 6.

**Note:** If you received dividends as a nominee, you must give the actual owner a **Form 1099-DIV**, unless the owner is your spouse.

**Line 7.** Report capital gain distributions on line 7. If you are filing Schedule D, also enter this amount on Schedule D, line 12. If you are not filing Schedule D, also enter this amount on Form 1040, line 14.

**Line 8.** Report nontaxable distributions on line 8. These distributions reduce your basis. For details, see the instructions for line 9 on page 16.

## Part III. Foreign Accounts and Foreign Trusts

### Lines 11a through 12

**Line 11a.** Check the **Yes** box on line 11a if either **1** (below) or **2** (on page 44) 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 were 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 was in your employer's name; **and** you did not have a personal financial interest in the account.

- You were 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 was in your employer's name; you did 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). You can get the form by writing to the IRS Distribution Center for your state. To find the page that has the address, see the order blank near the end of these instructions.

If you checked the **Yes** box on line 11a, file Form TD F 90-22.1 by June 30, 1992, with the **Department of the Treasury** at the address shown on that form. **Do not** attach Form TD F 90-22.1 to Form 1040.

**Line 11b.** If you checked the **Yes** box on line 11a, write the name of the foreign country or countries in the space provided on line 11b. Attach a separate sheet if you need more space.

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# Instructions for Schedule EIC, Earned Income Credit

*Schedule EIC is new for 1991. Use it to figure the earned income credit. If you can take the credit, subtract it from the tax you owe. You can get a refund of the credit even if you don't owe any tax.*

*Note: If you are eligible, you may be able to get advance earned income credit payments in 1992 by filing Form W-5 with your employer.*

*Additional Information. Get Pub. 596, Earned Income Credit, for more details.*

## Changes You Should Note

- If you can take the earned income credit, you must fill in Schedule EIC and attach it to your return.
- Even if your filing status is single, you may be able to take the earned income credit.
- To take the credit, your child doesn't have to be your dependent in most cases.
- The earned income credit is now made up of three credits. You can take each credit that applies to you.

**Basic credit.** This credit can be as much as \$1,192 for one qualifying child. For two qualifying children, it can be as much as \$1,235. This is the maximum amount of this credit even if you had more than two qualifying children.

**Health insurance credit.** If you paid for health insurance that covered a qualifying child, you can take this credit. It can be as much as \$428. If you itemize deductions on Schedule A or you were self-employed, see **Special Rules** below.

**Extra credit for child born in 1991.** If you have a qualifying child born in 1991, you can also take this credit. It can be as much as \$357. This is the maximum amount of this credit even if you had more than one qualifying child born in 1991 (for example, twins). If you paid someone to care for your child born in 1991 so you could work, see **Special Rules** next.

## Special Rules

**Health Insurance Credit.** If you take the health insurance credit, you must subtract the amount of this credit from any medical and dental expenses you claim on Schedule A.

If you were self-employed, you must subtract the amount of this credit from the amount, if any, used to figure the self-employed health insurance deduction on Form 1040, line 26. See Pub. 596 for details on how to figure the self-employed health insurance deduction and the health insurance credit.

**Extra Credit for Child Born in 1991.** If you take this extra credit, you **can't** take the credit for child care expenses or the exclusion of employer-provided dependent care benefits on **Form 2441** for the same child. But you can take the **basic credit** and, if it applies, the **health insurance credit** for your qualifying child born in 1991 even if you choose to take the credit or exclusion on Form 2441 for that child.

## Part I. General Information

### Who Can Take the Credit

You can take the earned income credit if you meet **all** of these tests:

1. You meet the five requirements at the top of Part I of Schedule EIC.
2. The total of your **taxable and nontaxable earned income** (see page 46) is less than \$21,250. (To see if you meet this test, you can fill in lines 4 through 7 on page 2 of Schedule EIC. If the amount on line 7 is \$21,250 or more, enter "NO" on Form 1040, line 56.)
3. You don't file **Form 2555**, Foreign Earned Income.

If you meet **all** of these tests, fill in the parts of Schedule EIC that apply to you.

### Do You Want the IRS To Figure the Credit for You?

If you do, fill in Parts II and III of Schedule EIC and attach it to your return. Be sure to enter the amount from Form 1040, line 31, in the space provided above Part III. On Form 1040, enter "EIC" on the dotted line next to line 56. Make sure you fill in line 54 for Federal income tax withheld. Read lines 57 through 59. Fill in the lines that apply to you. Sign and date your return, enter your occupation, and mail it. If you are filing a joint return, your spouse must also sign. If you are due a refund, we will send it to you. If you owe tax, we will send you a bill.

## Qualifying Child

A child must meet one condition from each of the three boxes in Part I of Schedule EIC to be a qualifying child.

**Example.** You are divorced and have a 7-year-old son. Although you had custody of your son, he is claimed as a dependent on his other parent's 1991 tax return. Your son is your qualifying child because he meets one condition from each box in Part I of Schedule EIC. Your son is not a qualifying child of his other parent because he did not live with the other parent for more than 6 months.

The following explains some of the terms used in Part I of Schedule EIC.

- A **foster child** is any child you cared for as your own child. For example, if you cared for your niece as your own child, she is considered your foster child.
- A child placed with you by an authorized placement agency for legal adoption is an **adopted child** even if the adoption isn't final.
- A **grandchild** is any descendant of your son, daughter, or adopted child. For example, a grandchild includes your great-grandchild, great-great-grandchild, etc.

To find out if your child qualifies as a **student**, see the instructions for line 1, column (c).

To find out who is considered **permanently and totally disabled**, see the instructions for line 1, column (d).

**Exception.** The child is considered to have lived with you for all of 1991 if **both** of the following apply:

1. The child was born, or died, in 1991, and
2. Your home was the child's home while he or she was alive.

Temporary absences (such as for school, vacation, or medical care) count as time lived in the home.

**Married Child.** If your child was married at the end of 1991, that child is a qualifying child only if you can claim him or her as your dependent on Form 1040, line 6c. But if this child's other parent claimed him or her as a dependent under the rules for **Children of Divorced or Separated Parents** (see page 13), this child is your qualifying child.

**Qualifying Child of More Than One Person.** If a child meets the conditions to be a qualifying child of more than one person, only the person who had the **highest** adjusted gross income for 1991 may treat that child as a qualifying child. If the other person is your spouse and you are filing a joint return, this rule doesn't apply.

**Example.** You and your 5-year-old daughter moved in with your mother in April 1991. You are not a qualifying child of your mother. Your daughter meets the conditions to be a qualifying child for both you and your mother. Your adjusted gross income for 1991 was \$7,000 and your mother's was \$14,000. Since your mother's adjusted gross income was higher, your daughter is your mother's qualifying child.

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## Taxable Earned Income

This is usually the total of the amount reported on Form 1040, line 7, plus your earnings from self-employment. (See the instructions for line 6 to figure your earnings from self-employment.) But if you received a taxable scholarship or fellowship grant that wasn't reported on a W-2 form, see the instructions for line 4.

---

## Nontaxable Earned Income

Certain earned income is not taxable, but it must be included on Schedule EIC to see if you can take the earned income credit. It is also used to figure the amount of your credit. It includes anything of value (money, goods, or services) that is not taxable that you received from your employer for your work. Some examples of nontaxable earned income are—

- Basic quarters and subsistence allowances and the value of in-kind quarters and subsistence received from the U.S. military. This amount may be shown on your last Leave and Earnings Statement for 1991. If it isn't or you need additional help, contact your legal assistance office or unit tax advisor.
- Combat pay. If you served in Operation Desert Storm, contact your legal assistance office or unit tax advisor to find out the amount of combat pay you received in 1991.
- Housing allowance or rental value of a parsonage for clergy members.
- Meals and lodging provided for the convenience of your employer.
- Voluntary salary deferrals. The amount deferred should be shown in Box 17 of your W-2 form. "Deferred compensation" in Box 6 should also be checked on your W-2 form.
- Excludable employer-provided dependent care benefits from Form 2441, line 25.

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## Part II. Information About Your Two Youngest Qualifying Children

If you have a qualifying child, fill in columns (a) through (g) on line 1. If you have **more than two qualifying children**, you need to list only two to get the maximum credit.

---

### Line 1, Column (a)

Enter each qualifying child's name. If you had more than two qualifying children, list only the two youngest children.

If you have a qualifying child born in 1991, list that child even if you chose to claim the credit for child care expenses for this child on Form 2441.

---

### Line 1, Column (c)

If your child was born **before 1973** but was under age 24 at the end of 1991 and a student, put a checkmark in column (c).

Your child was a **student** if he or she—

- Was enrolled as a full-time student at a school during any 5 months of 1991, or
- Took a full-time, on-farm training course during any 5 months of 1991. The course had to be given by a school or a state, county, or local government agency.

A **school** includes technical, trade, and mechanical schools. It does not include on-the-job training courses or correspondence schools.

---

### Line 1, Column (d)

If your child was born **before 1973** and was permanently and totally disabled during any part of 1991, put a checkmark in column (d).

A person is **permanently and totally disabled** if **both** of the following apply:

1. He or she cannot engage in any substantial gainful activity because of a physical or mental condition, and
2. A doctor determines the condition has lasted or can be expected to last continuously for at least a year or can lead to death.

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### Line 1, Column (e)

If your child was born **before 1991**, you must enter his or her social security number in column (e). If your child doesn't have a number, apply for one by filing **Form SS-5** with your local Social Security Administration (SSA) office. It usually takes about 2 weeks to get a number.

If your child won't have a number by the time you are ready to file your return, ask the SSA to give you a **Form SSA-5028**, Receipt for Application for a Social Security Number. When you file your return, enter "Applied for" in column (e). If you got a Form SSA-5028, attach a copy of it to your return.

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### Line 1, Column (g)

Enter the number of months your child lived with you in your home in the United States during 1991. (Do not enter more than 12.) Count temporary absences such as for school or vacation as time lived in your home.

If the **Exception** on page 45 applies to your child, enter "12" in this column.

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## Part III. Other Information

Fill in this part only if you want the IRS to figure the earned income credit for you.

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### Line 2

If you received any earned income that is not taxable, enter the total of that income on line 2. List the type and amount of this income on the dotted lines next to line 2. If you need more space, attach a statement.

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### Line 3b

Enter the total amount you paid in 1991 for health insurance that covered at least one of your qualifying children even if the insurance covered you and other members of your family.

**Example 1.** You had health insurance at work that covered you, your spouse, and your qualifying child. You paid part of the cost for the insurance and your employer paid part. Your pay statements for 1991 show that you paid a total of \$500 for the health insurance. You should enter \$500 on line 3b.

**Example 2.** You paid \$700 for health insurance in 1991. The insurance covered you and your spouse for the first 6 months and you, your spouse, and your qualifying child for the last 6 months. The total amount you paid for health insurance for the last 6 months of 1991 was \$350. You should enter \$350 on line 3b.

**Do not** include on line 3b—

- Amounts paid to doctors, dentists, hospitals, etc.
- Amounts paid for prescription medicines and drugs.
- Amounts contributed under a cafeteria plan.
- Any amount paid, reimbursed, or subsidized by Federal, state, or local governments, or their subsidiary agencies or offices unless you must include that amount in your income.

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## Part IV. Figure Your Earned Income Credit

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### Line 4

If the amount on Form 1040, line 7, includes an amount for a taxable scholarship or fellowship grant that wasn't reported on a W-2 form, subtract that amount from the amount on line 7. Enter the result on line 4 of Schedule EIC. Also, enter "SCH" and the amount you subtracted on the dotted line next to line 4.

### Line 5

If you received any earned income that was not taxable, enter the total of that income on line 5. List the type and amount of this income on the dotted lines next to line 5. If you need more space, attach a statement.

### Line 6

If you were self-employed or you reported your income and expenses on Schedule C as a statutory employee, use the worksheet on page 48 to figure the amount to enter on line 6.

**Statutory Employee.** If you were a statutory employee, the "Statutory employee" box in Box 6 of your W-2 form should be checked.

**Note:** *If you are filing a joint return and your spouse was also self-employed or reported income and expenses on Schedule C as a statutory employee, add your spouse's amounts to yours to figure the amount to enter on line 6.*

### Lines 8-11

The amount of the basic credit depends on whether you listed one qualifying child or two qualifying children in Part II of Schedule EIC. If you had more than two qualifying children, you need to list only two to get the maximum basic credit.

If you listed a qualifying child who was born in 1991, you can use that child to figure your basic credit even if you are also using that child to take the extra credit for a child born in 1991.

### Lines 12a-16

If you paid for health insurance in 1991 and the insurance covered at least one of your qualifying children, you can also take the health insurance credit.

**Line 12b.** Enter the total amount you paid in 1991 for health insurance even if the insurance covered you and other members of your family.

**Example 1.** You had health insurance at work that covered you, your spouse, and your qualifying child. You paid part of the cost for the insurance and your employer paid part. Your pay statements for 1991 show that you paid a total of \$500 for the health insurance. You should enter \$500 on line 12b.

**Example 2.** You paid \$700 for health insurance in 1991. The insurance covered you and your spouse for the first 6 months and you, your spouse, and your qualifying child for the last 6 months. The total amount you paid for health insurance for the last 6 months of 1991 was \$350. You should enter \$350 on line 12b.

**Do not** include on line 12b—

- Amounts paid to doctors, dentists, hospitals, etc.
- Amounts paid for prescription medicines and drugs.
- Amounts contributed under a cafeteria plan.
- Any amount paid, reimbursed, or subsidized by Federal, state, or local governments, or their subsidiary agencies or offices unless you must include that amount in your income.

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### Lines 17-19

You can take this **extra credit** ONLY if:

- You listed in Part II of Schedule EIC a child born in 1991, AND
- You did not take the credit for child care expenses or the exclusion of employer-provided dependent care benefits on Form 2441 for the same child.

If you had more than one qualifying child born in 1991 (for example, twins), the amount of this credit does not change.

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### Line 20

Add lines 11, 16, and 19. Enter the total on line 20 and on Form 1040, line 56. But if you owe the alternative minimum tax (Form 1040, line 48), subtract it from the amount on line 20 of Schedule EIC and enter the result (if more than zero) on Form 1040, line 56.

**Worksheet for Line 6** (keep for your records)

<p><b>1. If you are filing Schedule SE:</b></p> <p>a. Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies . . . . . <b>1a.</b> _____</p> <p>b. Enter the amount, if any, from Schedule SE, Section B, line 4b . . . . . <b>1b.</b> _____</p> <p>c. Add lines 1a and 1b . . . . . <b>1c.</b> _____</p> <p>d. Enter the amount from Form 1040, line 25 <b>1d.</b> _____</p> <p>e. Subtract line 1d from line 1c . . . . . <b>1e.</b> _____</p> <p><b>2. If you are not filing Schedule SE because your net earnings from self-employment were less than \$400:</b></p> <p>a. Enter any net profit (or loss) from Schedule F, line 37, and farm partnerships, Schedule K-1 (Form 1065), line 15a . . . <b>2a.</b> _____</p> <p>b. Enter any net profit (or loss) from Schedule C, line 31, and Schedule K-1 (Form 1065), line 15a (other than farming) . . . <b>2b.</b> _____</p> <p>c. Add lines 2a and 2b. Enter the total even if a loss . . . <b>2c.</b> _____</p> <p><b>3. If you are filing Schedule C as a statutory employee,</b> enter the amount from line 1 of that Schedule C . . . . . <b>3.</b> _____</p> <p><b>4.</b> Add lines 1e, 2c, and 3. Enter the total here and on Schedule EIC, line 6, even if a loss. (If the result is a loss, enter it in parentheses and read the <b>Caution</b> below.) . . . . . <b>4.</b> _____</p>
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**Caution:** If line 6 of Schedule EIC is a loss, subtract it from the total of lines 4 and 5 and enter the result on line 7. If the result is zero or less, you **can't** take the earned income credit.



# TABLE A—Basic Credit

## 1991 Earned Income Credit

Caution: This is not a tax table.

To find your basic credit: First, read down the "At least — But less than" columns and find the line that includes the amount you entered on line 7 or line 9 of Schedule EIC. Next, read across to the column that includes the number of qualifying children you listed on Schedule EIC. Then, enter the credit from that column on Schedule EIC, line 8 or line 10, whichever applies.

If the amount on Schedule EIC, line 7 or line 9, is—		And you listed—		If the amount on Schedule EIC, line 7 or line 9, is—		And you listed—		If the amount on Schedule EIC, line 7 or line 9, is—		And you listed—		If the amount on Schedule EIC, line 7 or line 9, is—		And you listed—	
At least	But less than	One child	Two children	At least	But less than	One child	Two children	At least	But less than	One child	Two children	At least	But less than	One child	Two children
\$1	\$50	\$4	\$4	\$2,800	\$2,850	\$472	\$489	\$5,600	\$5,650	\$939	\$973	\$12,500	\$12,550	\$1,040	\$1,078
50	100	13	13	2,850	2,900	480	497	5,650	5,700	948	982	12,550	12,600	1,034	1,071
100	150	21	22	2,900	2,950	488	506	5,700	5,750	956	990	12,600	12,650	1,028	1,065
150	200	29	30	2,950	3,000	497	515	5,750	5,800	964	999	12,650	12,700	1,022	1,059
200	250	38	39	3,000	3,050	505	523	5,800	5,850	973	1,008	12,700	12,750	1,016	1,053
250	300	46	48	3,050	3,100	514	532	5,850	5,900	981	1,016	12,750	12,800	1,010	1,047
300	350	54	56	3,100	3,150	522	541	5,900	5,950	989	1,025	12,800	12,850	1,004	1,041
350	400	63	65	3,150	3,200	530	549	5,950	6,000	998	1,034	12,850	12,900	999	1,034
400	450	71	74	3,200	3,250	539	558	6,000	6,050	1,006	1,042	12,900	12,950	993	1,028
450	500	79	82	3,250	3,300	547	567	6,050	6,100	1,015	1,051	12,950	13,000	987	1,022
500	550	88	91	3,300	3,350	555	575	6,100	6,150	1,023	1,060	13,000	13,050	981	1,016
550	600	96	99	3,350	3,400	564	584	6,150	6,200	1,031	1,068	13,050	13,100	975	1,010
600	650	104	108	3,400	3,450	572	593	6,200	6,250	1,040	1,077	13,100	13,150	969	1,003
650	700	113	117	3,450	3,500	580	601	6,250	6,300	1,048	1,086	13,150	13,200	963	997
700	750	121	125	3,500	3,550	589	610	6,300	6,350	1,056	1,094	13,200	13,250	957	991
750	800	129	134	3,550	3,600	597	618	6,350	6,400	1,065	1,103	13,250	13,300	951	985
800	850	138	143	3,600	3,650	605	627	6,400	6,450	1,073	1,112	13,300	13,350	945	979
850	900	146	151	3,650	3,700	614	636	6,450	6,500	1,081	1,120	13,350	13,400	939	973
900	950	154	160	3,700	3,750	622	644	6,500	6,550	1,090	1,129	13,400	13,450	933	966
950	1,000	163	169	3,750	3,800	630	653	6,550	6,600	1,098	1,137	13,450	13,500	927	960
1,000	1,050	171	177	3,800	3,850	639	662	6,600	6,650	1,106	1,146	13,500	13,550	921	954
1,050	1,100	180	186	3,850	3,900	647	670	6,650	6,700	1,115	1,155	13,550	13,600	915	948
1,100	1,150	188	195	3,900	3,950	655	679	6,700	6,750	1,123	1,163	13,600	13,650	909	942
1,150	1,200	196	203	3,950	4,000	664	688	6,750	6,800	1,131	1,172	13,650	13,700	903	935
1,200	1,250	205	212	4,000	4,050	672	696	6,800	6,850	1,140	1,181	13,700	13,750	897	929
1,250	1,300	213	221	4,050	4,100	681	705	6,850	6,900	1,148	1,189	13,750	13,800	891	923
1,300	1,350	221	229	4,100	4,150	689	714	6,900	6,950	1,156	1,198	13,800	13,850	885	917
1,350	1,400	230	238	4,150	4,200	697	722	6,950	7,000	1,165	1,207	13,850	13,900	879	911
1,400	1,450	238	247	4,200	4,250	706	731	7,000	7,050	1,173	1,215	13,900	13,950	873	905
1,450	1,500	246	255	4,250	4,300	714	740	7,050	7,100	1,182	1,224	13,950	14,000	867	898
1,500	1,550	255	264	4,300	4,350	722	748	7,100	7,150	1,192	1,235	14,000	14,050	861	892
1,550	1,600	263	272	4,350	4,400	731	757	11,250	11,300	1,189	1,232	14,050	14,100	855	886
1,600	1,650	271	281	4,400	4,450	739	766	11,300	11,350	1,183	1,226	14,100	14,150	849	880
1,650	1,700	280	290	4,450	4,500	747	774	11,350	11,400	1,177	1,220	14,150	14,200	843	874
1,700	1,750	288	298	4,500	4,550	756	783	11,400	11,450	1,172	1,214	14,200	14,250	837	868
1,750	1,800	296	307	4,550	4,600	764	791	11,450	11,500	1,166	1,207	14,250	14,300	831	861
1,800	1,850	305	316	4,600	4,650	772	800	11,500	11,550	1,160	1,201	14,300	14,350	826	855
1,850	1,900	313	324	4,650	4,700	781	809	11,550	11,600	1,154	1,195	14,350	14,400	820	849
1,900	1,950	321	333	4,700	4,750	789	817	11,600	11,650	1,148	1,189	14,400	14,450	814	843
1,950	2,000	330	342	4,750	4,800	797	826	11,650	11,700	1,142	1,183	14,450	14,500	808	837
2,000	2,050	338	350	4,800	4,850	806	835	11,700	11,750	1,136	1,177	14,500	14,550	802	830
2,050	2,100	347	359	4,850	4,900	814	843	11,750	11,800	1,130	1,170	14,550	14,600	796	824
2,100	2,150	355	368	4,900	4,950	822	852	11,800	11,850	1,124	1,164	14,600	14,650	790	818
2,150	2,200	363	376	4,950	5,000	831	861	11,850	11,900	1,118	1,158	14,650	14,700	784	812
2,200	2,250	372	385	5,000	5,050	839	869	11,900	11,950	1,112	1,152	14,700	14,750	778	806
2,250	2,300	380	394	5,050	5,100	848	878	11,950	12,000	1,106	1,146	14,750	14,800	772	800
2,300	2,350	388	402	5,100	5,150	856	887	12,000	12,050	1,100	1,139	14,800	14,850	766	793
2,350	2,400	397	411	5,150	5,200	864	895	12,050	12,100	1,094	1,133	14,850	14,900	760	787
2,400	2,450	405	420	5,200	5,250	873	904	12,100	12,150	1,088	1,127	14,900	14,950	754	781
2,450	2,500	413	428	5,250	5,300	881	913	12,150	12,200	1,082	1,121	14,950	15,000	748	775
2,500	2,550	422	437	5,300	5,350	889	921	12,200	12,250	1,076	1,115	15,000	15,050	742	769
2,550	2,600	430	445	5,350	5,400	898	930	12,250	12,300	1,070	1,109	15,050	15,100	736	762
2,600	2,650	438	454	5,400	5,450	906	939	12,300	12,350	1,064	1,102	15,100	15,150	730	756
2,650	2,700	447	463	5,450	5,500	914	947	12,350	12,400	1,058	1,096	15,150	15,200	724	750
2,700	2,750	455	471	5,500	5,550	923	956	12,400	12,450	1,052	1,090	15,200	15,250	718	744
2,750	2,800	463	480	5,550	5,600	931	964	12,450	12,500	1,046	1,084	15,250	15,300	712	738

1991 Earned Income Credit TABLE A—Basic Credit *Continued*

If the amount on Schedule EIC, line 7 or line 9, is—		And you listed—		If the amount on Schedule EIC, line 7 or line 9, is—		And you listed—	
		One child	Two children			One child	Two children
At least	But less than	Your basic credit is—		At least	But less than	Your basic credit is—	
\$15,300	\$15,350	\$706	\$732	\$18,500	\$18,550	\$324	\$336
15,350	15,400	700	725	18,550	18,600	319	330
15,400	15,450	694	719	18,600	18,650	313	324
15,450	15,500	688	713	18,650	18,700	307	317
15,500	15,550	682	707	18,700	18,750	301	311
15,550	15,600	676	701	18,750	18,800	295	305
15,600	15,650	670	694	18,800	18,850	289	299
15,650	15,700	664	688	18,850	18,900	283	293
15,700	15,750	659	682	18,900	18,950	277	287
15,750	15,800	653	676	18,950	19,000	271	280
15,800	15,850	647	670	19,000	19,050	265	274
15,850	15,900	641	664	19,050	19,100	259	268
15,900	15,950	635	657	19,100	19,150	253	262
15,950	16,000	629	651	19,150	19,200	247	256
16,000	16,050	623	645	19,200	19,250	241	250
16,050	16,100	617	639	19,250	19,300	235	243
16,100	16,150	611	633	19,300	19,350	229	237
16,150	16,200	605	626	19,350	19,400	223	231
16,200	16,250	599	620	19,400	19,450	217	225
16,250	16,300	593	614	19,450	19,500	211	219
16,300	16,350	587	608	19,500	19,550	205	212
16,350	16,400	581	602	19,550	19,600	199	206
16,400	16,450	575	596	19,600	19,650	193	200
16,450	16,500	569	589	19,650	19,700	187	194
16,500	16,550	563	583	19,700	19,750	181	188
16,550	16,600	557	577	19,750	19,800	175	182
16,600	16,650	551	571	19,800	19,850	169	175
16,650	16,700	545	565	19,850	19,900	163	169
16,700	16,750	539	559	19,900	19,950	157	163
16,750	16,800	533	552	19,950	20,000	151	157
16,800	16,850	527	546	20,000	20,050	146	151
16,850	16,900	521	540	20,050	20,100	140	144
16,900	16,950	515	534	20,100	20,150	134	138
16,950	17,000	509	528	20,150	20,200	128	132
17,000	17,050	503	521	20,200	20,250	122	126
17,050	17,100	497	515	20,250	20,300	116	120
17,100	17,150	491	509	20,300	20,350	110	114
17,150	17,200	486	503	20,350	20,400	104	107
17,200	17,250	480	497	20,400	20,450	98	101
17,250	17,300	474	491	20,450	20,500	92	95
17,300	17,350	468	484	20,500	20,550	86	89
17,350	17,400	462	478	20,550	20,600	80	83
17,400	17,450	456	472	20,600	20,650	74	76
17,450	17,500	450	466	20,650	20,700	68	70
17,500	17,550	444	460	20,700	20,750	62	64
17,550	17,600	438	453	20,750	20,800	56	58
17,600	17,650	432	447	20,800	20,850	50	52
17,650	17,700	426	441	20,850	20,900	44	46
17,700	17,750	420	435	20,900	20,950	38	39
17,750	17,800	414	429	20,950	21,000	32	33
17,800	17,850	408	423	21,000	21,050	26	27
17,850	17,900	402	416	21,050	21,100	20	21
17,900	17,950	396	410	21,100	21,150	14	15
17,950	18,000	390	404	21,150	21,200	8	8
18,000	18,050	384	398	21,200	21,250	2	2
18,050	18,100	378	392				
18,100	18,150	372	385	\$21,250 or more—you may not take the credit			
18,150	18,200	366	379				
18,200	18,250	360	373				
18,250	18,300	354	367				
18,300	18,350	348	361				
18,350	18,400	342	355				
18,400	18,450	336	348				
18,450	18,500	330	342				



# TABLE C—Extra Credit for Child Born in 1991

## 1991 Earned Income Credit

Caution: This is not a tax table.

To find your extra credit for a child born in 1991: First, read down the "At least—But less than" columns and find the line that includes the amount you entered on line 7 or line 9 of Schedule EIC. Next, read across and find the credit. Then, enter the credit on Schedule EIC, line 17 or line 18, whichever applies.

If the amount on Schedule EIC, line 7 or line 9, is—			Your credit for a child born in 1991 is—			If the amount on Schedule EIC, line 7 or line 9, is—			Your credit for a child born in 1991 is—			If the amount on Schedule EIC, line 7 or line 9, is—			Your credit for a child born in 1991 is—		
At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than	
\$1	\$50	\$1	\$3,600	\$3,650	\$181	\$11,300	\$11,350	\$354	\$14,900	\$14,950	\$226	\$18,500	\$18,550	\$97			
50	100	4	3,650	3,700	184	11,350	11,400	353	14,950	15,000	224	18,550	18,600	95			
100	150	6	3,700	3,750	186	11,400	11,450	351	15,000	15,050	222	18,600	18,650	94			
150	200	9	3,750	3,800	189	11,450	11,500	349	15,050	15,100	220	18,650	18,700	92			
200	250	11	3,800	3,850	191	11,500	11,550	347	15,100	15,150	219	18,700	18,750	90			
250	300	14	3,850	3,900	194	11,550	11,600	345	15,150	15,200	217	18,750	18,800	88			
300	350	16	3,900	3,950	196	11,600	11,650	344	15,200	15,250	215	18,800	18,850	87			
350	400	19	3,950	4,000	199	11,650	11,700	342	15,250	15,300	213	18,850	18,900	85			
400	450	21	4,000	4,050	201	11,700	11,750	340	15,300	15,350	212	18,900	18,950	83			
450	500	24	4,050	4,100	204	11,750	11,800	338	15,350	15,400	210	18,950	19,000	81			
500	550	26	4,100	4,150	206	11,800	11,850	336	15,400	15,450	208	19,000	19,050	79			
550	600	29	4,150	4,200	209	11,850	11,900	335	15,450	15,500	206	19,050	19,100	78			
600	650	31	4,200	4,250	211	11,900	11,950	333	15,500	15,550	204	19,100	19,150	76			
650	700	34	4,250	4,300	214	11,950	12,000	331	15,550	15,600	203	19,150	19,200	74			
700	750	36	4,300	4,350	216	12,000	12,050	329	15,600	15,650	201	19,200	19,250	72			
750	800	39	4,350	4,400	219	12,050	12,100	328	15,650	15,700	199	19,250	19,300	71			
800	850	41	4,400	4,450	221	12,100	12,150	326	15,700	15,750	197	19,300	19,350	69			
850	900	44	4,450	4,500	224	12,150	12,200	324	15,750	15,800	195	19,350	19,400	67			
900	950	46	4,500	4,550	226	12,200	12,250	322	15,800	15,850	194	19,400	19,450	65			
950	1,000	49	4,550	4,600	229	12,250	12,300	320	15,850	15,900	192	19,450	19,500	63			
1,000	1,050	51	4,600	4,650	231	12,300	12,350	319	15,900	15,950	190	19,500	19,550	62			
1,050	1,100	54	4,650	4,700	234	12,350	12,400	317	15,950	16,000	188	19,550	19,600	60			
1,100	1,150	56	4,700	4,750	236	12,400	12,450	315	16,000	16,050	187	19,600	19,650	58			
1,150	1,200	59	4,750	4,800	239	12,450	12,500	313	16,050	16,100	185	19,650	19,700	56			
1,200	1,250	61	4,800	4,850	241	12,500	12,550	311	16,100	16,150	183	19,700	19,750	54			
1,250	1,300	64	4,850	4,900	244	12,550	12,600	310	16,150	16,200	181	19,750	19,800	53			
1,300	1,350	66	4,900	4,950	246	12,600	12,650	308	16,200	16,250	179	19,800	19,850	51			
1,350	1,400	69	4,950	5,000	249	12,650	12,700	306	16,250	16,300	178	19,850	19,900	49			
1,400	1,450	71	5,000	5,050	251	12,700	12,750	304	16,300	16,350	176	19,900	19,950	47			
1,450	1,500	74	5,050	5,100	254	12,750	12,800	303	16,350	16,400	174	19,950	20,000	46			
1,500	1,550	76	5,100	5,150	256	12,800	12,850	301	16,400	16,450	172	20,000	20,050	44			
1,550	1,600	79	5,150	5,200	259	12,850	12,900	299	16,450	16,500	170	20,050	20,100	42			
1,600	1,650	81	5,200	5,250	261	12,900	12,950	297	16,500	16,550	169	20,100	20,150	40			
1,650	1,700	84	5,250	5,300	264	12,950	13,000	295	16,550	16,600	167	20,150	20,200	38			
1,700	1,750	86	5,300	5,350	266	13,000	13,050	294	16,600	16,650	165	20,200	20,250	37			
1,750	1,800	89	5,350	5,400	269	13,050	13,100	292	16,650	16,700	163	20,250	20,300	35			
1,800	1,850	91	5,400	5,450	271	13,100	13,150	290	16,700	16,750	162	20,300	20,350	33			
1,850	1,900	94	5,450	5,500	274	13,150	13,200	288	16,750	16,800	160	20,350	20,400	31			
1,900	1,950	96	5,500	5,550	276	13,200	13,250	286	16,800	16,850	158	20,400	20,450	29			
1,950	2,000	99	5,550	5,600	279	13,250	13,300	285	16,850	16,900	156	20,450	20,500	28			
2,000	2,050	101	5,600	5,650	281	13,300	13,350	283	16,900	16,950	154	20,500	20,550	26			
2,050	2,100	104	5,650	5,700	284	13,350	13,400	281	16,950	17,000	153	20,550	20,600	24			
2,100	2,150	106	5,700	5,750	286	13,400	13,450	279	17,000	17,050	151	20,600	20,650	22			
2,150	2,200	109	5,750	5,800	289	13,450	13,500	278	17,050	17,100	149	20,650	20,700	21			
2,200	2,250	111	5,800	5,850	291	13,500	13,550	276	17,100	17,150	147	20,700	20,750	19			
2,250	2,300	114	5,850	5,900	294	13,550	13,600	274	17,150	17,200	145	20,750	20,800	17			
2,300	2,350	116	5,900	5,950	296	13,600	13,650	272	17,200	17,250	144	20,800	20,850	15			
2,350	2,400	119	5,950	6,000	299	13,650	13,700	270	17,250	17,300	142	20,850	20,900	13			
2,400	2,450	121	6,000	6,050	301	13,700	13,750	269	17,300	17,350	140	20,900	20,950	12			
2,450	2,500	124	6,050	6,100	304	13,750	13,800	267	17,350	17,400	138	20,950	21,000	10			
2,500	2,550	126	6,100	6,150	306	13,800	13,850	265	17,400	17,450	137	21,000	21,050	8			
2,550	2,600	129	6,150	6,200	309	13,850	13,900	263	17,450	17,500	135	21,050	21,100	6			
2,600	2,650	131	6,200	6,250	311	13,900	13,950	262	17,500	17,550	133	21,100	21,150	4			
2,650	2,700	134	6,250	6,300	314	13,950	14,000	260	17,550	17,600	131	21,150	21,200	3			
2,700	2,750	136	6,300	6,350	316	14,000	14,050	258	17,600	17,650	129	21,200	21,250	1			
2,750	2,800	139	6,350	6,400	319	14,050	14,100	256	17,650	17,700	128						
2,800	2,850	141	6,400	6,450	321	14,100	14,150	254	17,700	17,750	126						
2,850	2,900	144	6,450	6,500	324	14,150	14,200	253	17,750	17,800	124						
2,900	2,950	146	6,500	6,550	326	14,200	14,250	251	17,800	17,850	122						
2,950	3,000	149	6,550	6,600	329	14,250	14,300	249	17,850	17,900	120						
3,000	3,050	151	6,600	6,650	331	14,300	14,350	247	17,900	17,950	119						
3,050	3,100	154	6,650	6,700	334	14,350	14,400	245	17,950	18,000	117						
3,100	3,150	156	6,700	6,750	336	14,400	14,450	244	18,000	18,050	115						
3,150	3,200	159	6,750	6,800	339	14,450	14,500	242	18,050	18,100	113						
3,200	3,250	161	6,800	6,850	341	14,500	14,550	240	18,100	18,150	112						
3,250	3,300	164	6,850	6,900	344	14,550	14,600	238	18,150	18,200	110						
3,300	3,350	166	6,900	6,950	346	14,600	14,650	237	18,200	18,250	108						
3,350	3,400	169	6,950	7,000	349	14,650	14,700	235	18,250	18,300	106						
3,400	3,450	171	7,000	7,050	351	14,700	14,750	233	18,300	18,350	104						
3,450	3,500	174	7,050	7,100	354	14,750	14,800	231	18,350	18,400	103						
3,500	3,550	176	7,100	11,250	357	14,800	14,850	229	18,400	18,450	101						
3,550	3,600	179	11,250	11,300	356	14,850	14,900	228	18,450	18,5							

# Instructions for Schedule D, Capital Gains and Losses

**A Change You Should Note.** For 1991, the maximum tax rate on net capital gain is 28%. If you have a net capital gain (both lines 16 and 17 of Schedule D are gains), and your taxable income is more than \$82,150 (\$49,300 if single; \$70,450 if head of household; \$41,075 if married filing separately), use new Part IV, Tax Computation Using Maximum Capital Gains Rate, to figure your tax.

**Additional Information.** Get **Pub. 544, Sales and Other Dispositions of Assets**, and **Pub. 550, Investment Income and Expenses**, for more details.

## General Instructions

### Which Form To Use

Use Schedule D to:

- Report the sale or exchange of a capital asset.
- Report gains from involuntary conversions of capital assets not held for business or profit.
- Reconcile Forms 1099-B you got for bartering transactions. (See Part VII.)
- Make a long-term capital gain election for lump-sum pension plan distributions.

Use **Form 4797, Sales of Business Property**, instead of Schedule D, to report the following:

- The sale or exchange of trade or business property, depreciable and amortizable property, oil, gas, geothermal, or other mineral property, and section 126 property.
- The involuntary conversion (other than by casualty or theft) of trade or business property and capital assets held for business or profit.
- The 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.

Use **Form 8824, Like-Kind Exchanges**, if you made one or more like-kind exchanges. See **Exchange of Like-Kind Property**, on the next page.

### Capital Gain Elections on Lump-Sum Distributions From Qualified Retirement Plans

The amount of a lump-sum distribution that qualifies for capital gain treatment should be shown on Form 1099-R, Box 3. If you qualify to use **Form 4972, Tax on Lump-Sum Distributions**, you can make the 20% capital gain election in Part II of that form. If you do not include the capital gain portion on Form 4972, you can make a long-term capital gain election on Schedule D. To make the election, write "lump-sum distribution" on line 8d, column (a). Enter in column (g) 25% (.25) of the amount from Form 1099-R, Box 3. Enter the remaining amount of the distribution (Form 1099-R, Box 2, minus the amount used on Schedule D) on Form 1040, lines 17a and 17b. However, if you qualify to use Form 4972, you may report the balance on that form instead of Form 1040, lines 17a and 17b.

If you elect to include net unrealized appreciation (NUA) in income, a portion of the amount from Form 1099-R, Box 6, can generally receive capital gain treatment. See Instructions for Form 4972 for details.

### Capital Asset

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

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

- a. Stock in trade or other property included in inventory or held for sale to customers.
- b. Accounts or notes receivable for services performed in the ordinary course of your trade or business or as an employee, or from the sale of any property described in a.
- 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. Copyrights, literary, musical, or artistic compositions, letters or memoranda, or similar property: (1) created by your personal efforts; (2) prepared or produced for you (in the case of letters, memoranda, or similar property); or (3) that you received from someone who created them or for whom they were created, as 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 someone who had received it in a similar way, if your basis is determined by reference to the previous owner's basis.

### 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 1 year. The holding period for short-term capital gains and losses is 1 year 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 traded on an exchange or over-the-counter market.

Generally, a nonbusiness bad debt must be treated as a short-term capital loss. See Pub. 550 under **Nonbusiness Bad Debts** for what qualifies as a nonbusiness bad debt and how to enter it on Schedule D.

### Capital Losses

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

### Losses That Are Not Deductible

Do not deduct a loss from the direct or indirect sale or exchange of property between any of the following:

- Members of a family.
- A corporation and an individual owning more than 50% of the corporation's stock (unless the loss is from a distribution in complete liquidation of a corporation).
- A grantor and a fiduciary of a trust.
- A fiduciary and a beneficiary of the same trust.
- A fiduciary and a 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.

See Pub. 544 for more details on sales and exchanges between related parties.

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, At-Risk Limitations**. If the loss is allowable under the at-risk rules, it is then subject to the passive activity rules. Get **Form 8582, Passive Activity Loss Limitations**, and its instructions to see how to report capital gains and losses from a passive activity.

### 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 (including contracts or options to acquire or sell stock or securities). See Pub. 550 for details.
- Bonds and other debt instruments. See Pub. 550 for details.
- Certain real estate subdivided for sale which may be considered a capital asset.
- 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 the disposition of stock in an Interest Charge Domestic International Sales Corporation.
- Gain on the sale or exchange of stock in certain foreign corporations.

- 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 that would be treated as an investment company if it were incorporated.
- Sales of stock received under a qualified public utility dividend reinvestment plan. See Pub. 550 for details.
- Transfer of appreciated property to a political organization.
- Loss on the sale, exchange, or worthlessness of small business (section 1244) stock.
- In general, no gain or loss is recognized on the transfer of property from an individual to a spouse or a former spouse, if the transfer is incident to a divorce. Get **Pub. 504**, Tax Information for Divorced or Separated Individuals.
- Amounts received on the retirement of a debt instrument generally are treated as received in exchange for the debt instrument.
- Any loss on the disposition of converted wetland or highly erodible cropland that is first used for farming after March 1, 1986, is reported as long-term capital loss on Schedule D, but any gain is reported as ordinary income on Form 4797.
- Gifts of property and inherited property. See Pub. 544.
- Amounts received by shareholders in corporate liquidations.
- Cash received in lieu of fractional shares of stock as a result of a stock split or stock dividend. See Pub. 550.
- Mutual fund load charges may not be taken into account in determining gain or loss on certain dispositions of stock in mutual funds if reinvestment rights were exercised. For details, get **Pub. 564**, Mutual Fund Distributions.
- Deferral of gain on conflict-of-interest dispositions under section 1043. See Form 8824.

## Inherited Property

If you disposed of property that you acquired by inheritance, report the disposition as a long-term gain or loss, regardless of how long you held the property. Write **"INHERITED"** in column (b), instead of the date you acquired the property.

## Gain or Loss From Options

Report on Schedule D gain or loss from the closing or expiration of an option that is not a section 1256 contract, but that is a capital asset in your hands.

If a purchased option expired, enter the expiration date in column (c), and write **"EXPIRED"** in column (d).

If an option that was granted (written) expired, enter the expiration date in column (b), and write **"EXPIRED"** in column (e).

Fill in the other columns as appropriate. See Pub. 550 for more details.

## Exchange of Like-Kind Property

A "like-kind exchange" occurs when you exchange business or investment property for property of a like kind. Report on Schedule D (or Form 4797, whichever applies) the exchange of like-kind property, even if no gain

or loss is recognized. Also complete and attach Form 8824 to your return for each exchange.

For exchanges reported on Schedule D, write "From Form 8824" in column (a). Skip columns (b) through (e), and enter the gain or loss from Form 8824, if any, in column (f) or (g). If an exchange was made with a related party, write "Related Party Like-Kind Exchange" in the top margin of Schedule D. See Form 8824 and its instructions for details.

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

Gain from the sale or exchange of this property 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. But if you had a loss from the sale or exchange of real estate held for personal use (other than your main home), you must report the transaction on Schedule D even though the loss is not deductible.

For example, you have a loss on the sale of a vacation home that is not your main home. Report it on line 1a or 8a, depending on how long you owned the home. Complete columns (a) through (e). Since the loss is not deductible, write "Personal Loss" across columns (f) and (g).

## Disposition of Partnership Interest

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

## Long-Term Capital Gains From Regulated Investment Companies

Include in income as a long-term capital gain the amount on **Form 2439**, Notice to Shareholder of Undistributed Long-Term Capital Gains, that represents your share of the undistributed capital gains of a regulated investment company. Enter on Form 1040, line 59, the tax paid by the company shown on Form 2439. Add to the basis of your stock the excess of the amount included in income over the amount of the credit. See Pub. 550 for more details.

## Capital Gain Distributions

Enter on line 12 capital gain distributions paid to you during the year as a long-term capital gain regardless of how long you held your investment. See Pub. 550 for more details.

## Sale of Your Home

Use **Form 2119**, Sale of Your Home, to report a gain or loss from the sale of your main home whether or not you bought another one. You must file Form 1040 for the year in which you sell your main home, even if you are not otherwise required to file. For more details, get **Pub. 523**, Tax Information on Selling Your Home.

## Installment Sales

If you sold property (other than publicly traded stocks or securities) 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 do so.

Use **Form 6252**, Installment Sale Income, to report the sale on the installment method. Also use Form 6252 to report any payment received in 1991 from a sale made in an earlier year that you reported on the installment method.

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 you are reporting it at less than face value (including all contingent payment obligations), complete Part VI. If you received more than one, enter the amounts separately in the spaces in Part VI.

Get **Pub. 537**, Installment Sales, for more details.

## Section 1256 Contracts and Straddles

Use **Form 6781**, Gains and Losses From Section 1256 Contracts and Straddles, to report these transactions. See Pub. 550 for more details.

## Form 1099-A, Acquisition or Abandonment of Secured Property

If you received a Form 1099-A from your lender, you may have gain or loss to report because of the acquisition or abandonment. See Pub. 544 for details.

## Specific Instructions

### 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 you received a Form 1099-B or similar statement from your broker that shows gross sales price, enter that amount in column (d). However, if Form 1099-B (or your broker) indicates that gross proceeds minus commissions and option premiums were reported to the IRS, enter that net amount in column (d). If the net amount is entered in column (d), do not include the commissions and option premiums in column (e).

You should not have received a Form 1099-B (or substitute statement) for a transaction merely representing the return of your original investment in a nontransferable obligation, such as a savings bond or a certificate of deposit. But if you did, report the amount shown on Form 1099-B (or substitute statement) in both columns (d) and (e).

**Caution:** Be sure to add all sales price entries on lines 1a and 8a, column (d), to amounts

on lines 1b and 8b, column (d). Enter the totals on lines 1c and 8c.

## Column (e)

### Cost or Other Basis

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

You should not have received a Form 1099-B (or substitute statement) for a transaction merely representing the return of your original investment in a nontransferable obligation, such as a savings bond or a certificate of deposit. But if you did, report the amount shown on Form 1099-B (or substitute statement) in both columns (d) and (e).

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. See Pub. 550 for how to figure your basis in stock that split during the time you owned it.

The basis of property acquired by gift is generally 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.

The cost or other basis of an original issue discount (OID) debt instrument is increased by the amount of OID that has been included in gross income for that instrument.

If a charitable contribution deduction is allowed because of a bargain sale of property to a charitable organization, the adjusted basis for purposes of determining gain from the sale is the 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 fees, commissions, state and local transfer taxes, and option premiums before making an entry in column (e), unless you reported the net sales price in column (d).

For more details, get **Pub. 551**, Basis of Assets.

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## Lines 1a and 8a

Enter all sales and exchanges of stocks, bonds, etc., and real estate (if not reported on Form 2119, 4797, or 6252). Include these transactions whether or not you actually received a Form 1099-B or 1099-S (or substitute statement) for the transaction. You can use abbreviations to describe the property as long as the abbreviations are based on the descriptions of the property as shown on Form 1099-B or 1099-S (or substitute statement).

Use **Schedule D-1**, Continuation Sheet for Schedule D (Form 1040), if you need more space to list transactions for lines 1a and 8a. You may use as many Schedules D-1 as you need to list your transactions. Enter on Schedule D, lines 1b and 8b, columns (d), (f), and (g) the combined totals of all your Schedules D-1.

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## Lines 1d and 8d

Enter sales and exchanges of other capital assets on these lines that are not reported on lines 1a or 8a. Do not include transactions reported on Form 2119, 4797, or 6252.

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## Part VII

This part enables the IRS to compare amounts of bartering income reported to you on Forms 1099-B with amounts you report on your tax return. For details on bartering income, get **Pub. 525**, Taxable and Nontaxable Income.

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# Instructions for Schedule E, Supplemental Income and Loss

Use Schedule E to report income or loss from rents, royalties, partnerships, S corporations, estates, trusts, and residual interests in REMICs.

If you attach your own schedule(s) to report income or loss from any of these sources, use the same format as on Schedule E. Enter separately on Schedule E the total income and the total loss for each part. Enclose loss figures in (parentheses).

## Part I. Income or Loss From Rentals and Royalties

Use Part I to report income and expenses from rentals of real estate (including personal property leased with real estate). Also use Part I to report royalty income and expenses. Use **Schedule C** to report income and expenses from the rental of personal property, such as equipment or vehicles. See the instructions for lines 3 and 4 to determine when rental real estate and royalty income should be reported on Schedule C or **Form 4835**, Farm Rental Income and Expenses, instead.

If you own a part interest in a rental property, report only your part of the income and expenses on Schedule E.

If you have more than three rental or royalty properties, complete and attach as many Schedules E as you need to list them. Complete lines 1 and 2 for each property. But fill in the "Totals" column only on one Schedule E. The figures in the "Totals" column on that Schedule E should be the combined totals of all Schedules E.

If you also need to use page 2 of Schedule E, use the same Schedule E on which you entered the combined totals in Part I.

### Filers of Form 1041

Enter your employer identification number in the block for "Your social security number."

### Line 1

Show the kind of property you rented out, for example, "brick duplex." Give the street address, city or town, and state. You do not have to give the ZIP code. If you own a part interest in the property, show your percentage of ownership.

### Line 2

If you rented out a dwelling unit and also used it as a home during the year, you may not be able to deduct all the expenses for the rental part. A dwelling unit (unit) means a house, apartment, condominium, mobile home, boat, or like property. Check the "Yes" or "No" box on line 2, whichever applies, to show whether you or your family used the property for personal purposes in 1991.

If the property is not a dwelling unit, check "No."

If the property is a dwelling unit, check "Yes" if you or your family used the unit for personal use more than the greater of:

1. 14 days; or
2. 10% of the total days it was rented to others at a fair rental price.

**What is Personal Use?** A day of personal use is any day, or part of a day, that the unit was used by:

- You for personal purposes.
- Any other person for personal purposes, if that person owns part of the unit (unless rented to that person under a "shared equity" financing agreement).
- Anyone in your family or in the family of someone else who owns part of the unit. The day is not treated as personal if the unit is rented at a fair rental price to that person as his or her main home.
- Anyone under an agreement that lets you use some other unit.
- Anyone who pays less than a fair rental price for the unit.

If you checked "No," you can deduct all your expenses for the rental part, subject to the **At-Risk Rules** and the **Passive Activity Loss Rules** explained later.

If you checked "Yes" and rented the unit out for less than 15 days, do not report the rental income and do not deduct any rental expenses. But if you itemize deductions on **Schedule A** (Form 1040) you may deduct interest, taxes, and casualty losses.

If you checked "Yes" and rented the unit out for at least 15 days, you may NOT be able to deduct all your rental expenses. You can deduct your mortgage interest, real estate taxes, and casualty losses for the rental part on Schedule E. You can also deduct your other rental expenses that are not related to your use of the unit as a home, such as advertising expenses and realtors' fees. If any income is left after deducting these expenses, you can then deduct other expenses. But you cannot deduct more than the income that is left. Carry amounts you cannot deduct to 1992. Get **Pub. 527**, Residential Rental Property (Including Rental of Vacation Homes), for more details.

### Line 3

If you were not in the real estate sales business but you received rent from real estate (including personal property leased with real estate), report it on line 3. Include room and other space rentals. If you received services

or property instead of money as rent, report its fair market value.

If you provided significant services to the renter or sold real estate as a business, do not use Schedule E. Instead, report the income on Schedule C.

For more information, see **Tele-Tax Information** in the index (topic no. 213) or Pub. 527.

**Rental Income From Farm Production or Crop Shares.** Report farm rental income and expenses on Form 4835 if (1) you received rental income based on crops or livestock produced by the tenant, **and** (2) you did not manage or operate the farm to any great extent.

If you use Form 4835, enter on line 39 of Schedule E the net farm rental income or loss from Form 4835. Also include the gross farm rents from Form 4835, line 7, on Schedule E, line 41.

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

### Line 4

Report on line 4 **royalties** from oil, gas, or mineral properties (not including operating oil, gas, or mineral interests); copyrights; and patents. If you received \$10 or more in royalties during 1991, you should receive a **Form 1099-MISC**, or similar statement, showing them. The payer must send this statement to you by January 31, 1992. If you are in business as a self-employed writer, inventor, artist, etc., report your income and expenses on Schedule C. You may be able to 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 details, get **Pub. 544**, Sales and Other Dispositions of Assets.

If state or local taxes were withheld from oil or gas payments you received, enter on line 4 the gross amount of royalties. Include the taxes withheld by the producer on line 15.

**Caution:** If you received a credit or refund of overpaid windfall profit tax in 1991, see the instructions for line 40.

### Lines 5 through 21

Enter your rental and royalty expenses for each property in the appropriate columns. You can deduct an amount for the depreciation of rental property and all ordinary and necessary expenses, such as taxes, interest,



repairs, insurance, maintenance, and agents' commissions.

Do not deduct the value of your own labor, capital investments, or capital improvements.

**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.

**Expenses To Rehabilitate Low-Income Housing.** You may amortize part of the costs you paid or incurred to rehabilitate qualified low-income housing if the rehabilitation began before 1987. If it began after 1986, you may be able to take a tax credit. Get **Form 8586**, Low-Income Housing Credit, and **Form 8582-CR**, Passive Activity Credit Limitations. Also, get **Pub. 925**, Passive Activity and At-Risk Rules, to learn how the passive activity loss rules apply to low-income housing.

**Credit or Deduction for Access Expenditures.** You may be able to claim a tax credit of up to \$5,000 for eligible expenditures paid or incurred in 1991 to provide access to your business for individuals with disabilities. Get **Form 8826**, Disabled Access Credit, for more details.

You can also deduct up to \$15,000 of costs paid or incurred in 1991 to remove architectural or transportation barriers to individuals with disabilities and the elderly.

You cannot take both the credit and the deduction for the same expenditures. Get **Pub. 535**, Business Expenses, and **Pub. 907**, Tax Information for Persons with Handicaps or Disabilities, for details.

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## Line 6

You may deduct ordinary and necessary auto and travel expenses related to your rental activities. If you use your auto in connection with your rental activities you can deduct either your actual expenses or the standard mileage rate. You **must** use actual expenses if you do not own the auto you use in your rental activities or if you use more than one vehicle simultaneously (as in fleet operations).

If you deduct actual auto expenses, include on line 6 the rental activity portion of the cost of gasoline, oil, repairs, insurance, tires, license plates, etc. Show auto rental or lease payments on line 18 and depreciation on line 20.

For 1991, the standard mileage rate is 27½ cents a mile for all miles of rental activity use. Add to this amount your related parking fees and tolls.

**Note:** If you claim any auto expenses (actual expenses or the standard mileage rate), you must complete Part V of **Form 4562**, Depreciation and Amortization.

For more details, get Pub. 527, **Pub. 463**, Travel, Entertainment, and Gift Expenses, and **Pub. 917**, Business Use of a Car.

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## Lines 11 and 12

In general, to determine the interest expense allocable to your rental activities, you will have to keep records to show how the proceeds of each debt were used. Specific tracing rules apply for allocating debt proceeds and repayment of the debt. See Pub. 535 for details.

If you have a mortgage on your rental property, enter on line 11 the interest you paid for 1991 to banks or other financial institutions. Be sure to fill in the "Total" column.

If you paid \$600 or more in interest on this mortgage, the recipient should send you a **Form 1098**, Mortgage Interest Statement, or similar statement, by January 31, 1992, showing the total interest received from you during 1991. If you paid more mortgage interest than is shown on your Form 1098, or similar statement, see Pub. 535 to find out if you can deduct the additional interest. If you can, enter the amount on line 11. Attach a statement to your return explaining the difference. Write "See attached" in the left margin next to line 11.

**Note:** If the recipient was not a financial institution or you did not receive a Form 1098 from the recipient, report your deductible mortgage interest on line 12.

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 Form 1098, report your share of the interest on line 12. Attach a statement to your return showing the name and address of the person who received Form 1098. In the left margin next to line 12, write "See attached."

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## Line 16

The base rate (including taxes) for local telephone service for the first telephone line to any residence is a personal expense and is not deductible.

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## Line 20

Depreciation is the annual deduction allowed to recover the cost or other basis of business or income-producing property with a useful life of more than one year. The deduction does not apply to land and personal-use property.

If you are claiming depreciation on property placed in service **after 1980**, get the instructions for Form 4562; **Pub. 946**, How to Begin Depreciating Your Property; or **Pub. 534**, Depreciation, to figure the amount to enter on line 20.

You must complete and attach Form 4562 **only if:**

- You are claiming depreciation on property placed in service during 1991, or
- You are claiming depreciation on any property that is listed property (such as a car) regardless of when it was placed in service, or
- You are claiming a section 179 expense deduction or amortization of costs that begins in 1991.

If you are claiming depreciation **only** on property placed in service **before 1981**, figure depreciation on a worksheet from your own books and records and enter the total depreciation on line 20. You do not need to attach the worksheet. For a sample worksheet, see the instructions for Form 4562.

For more information on depreciation, including the definition of listed property, see the instructions for Form 4562, Pub. 946, and Pub. 534. For information on depletion, get Pub. 535.

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## Line 22

### At-Risk Rules

Generally, if you have: (a) a loss from an activity carried on as a trade or business or for the production of income, and (b) amounts in the activity for which you are not at risk, you will have to complete **Form 6198**, At-Risk Limitations, to figure your allowable loss.

The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the activity. However, if you acquired your interest in the activity before 1987, the at-risk rules do not apply to losses from an activity of holding real property placed in service before 1987. The activity of holding mineral property does not qualify for this exception.

In most cases, you are not at risk for amounts such as:

- Nonrecourse loans used to finance the activity, to acquire property used in the activity, or to acquire your interest in the activity, that are not secured by your own property (other than property used in the activity). There is an exception for certain nonrecourse financing borrowed by you in connection with holding real property. See **Qualified nonrecourse financing**, below.
- Cash, property, or borrowed amounts used in the activity (or contributed to the activity, or used to acquire your interest in the activity) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).
- Amounts borrowed for use in the activity from a person who has an interest in the activity, other than as a creditor, or who is related, under Internal Revenue Code section 465(b)(3), to a person (other than you) having such an interest.

**Qualified nonrecourse financing** secured by real property used in an activity of holding real property that is subject to the at-risk rules is treated as an amount at risk. Qualified nonrecourse financing is financing for which no one is personally liable for repayment and is:

- Borrowed by you in connection with holding real property,
- Not convertible from a debt obligation to an ownership interest, **and**
- Loaned or guaranteed by any Federal, state, or local government, or borrowed by you from a **qualified person**.

A **qualified person** is a person who actively and regularly engages in the business of lending money, such as a bank or savings and loan association. A **qualified person** is **not:**

- A person related to you (although a person related to you may be a qualified person if the nonrecourse financing is commercially reasonable and on the same terms as loans involving unrelated persons), or
- The seller of the property (or a person related to the seller), or
- A person who receives a fee due to your investment in real property (or a person related to that person).

If you have amounts for which you are not at risk in a rental or royalty activity, get Form 6198 to determine the amount of your deductible loss and enter that amount in the appropriate column of Schedule E, line 22. In the space to the left of line 22, write "Form 6198." Be sure to attach Form 6198 to your return.

## Line 23

Enter on line 23 your deductible rental loss. If your rental loss is from a passive activity (defined below), you may need to complete Form 8582, Passive Activity Loss Limitations, to figure the amount of loss, if any, to enter on line 23. But see the following exception.

**Exception for Certain Rental Real Estate Activities.** If you had losses from rental real estate activities, you **do not** have to complete Form 8582 to figure the amount of loss you can deduct on line 23 if you meet **ALL THREE** of the following conditions:

1. Rental real estate activities are your only passive activities.
2. You do not have any prior year unallowed losses from any passive activities.
3. **All** of the following apply if you have an overall net loss from these activities:
  - You actively participated (defined later) in all of the rental real estate activities; **and**
  - If married filing separately, you lived apart from your spouse all year; **and**
  - Your overall net loss from these activities is \$25,000 or less (\$12,500 or less if married filing separately); **and**
  - You have no current or prior year unallowed credits from passive activities; **and**
  - Your modified adjusted gross income, defined later, is \$100,000 or less (\$50,000 or less if married filing separately).

If you meet **ALL THREE** of the conditions listed above, your rental real estate losses are not limited by the passive activity rules. Enter the loss from line 22 on line 23.

If you do **not** meet **ALL THREE** of the conditions listed above, see the instructions for Form 8582 to find out if you must complete and attach Form 8582.

**Active Participation.** You can meet the active participation requirement without regular, continuous, and substantial involvement in operations. But you must have participated in making management decisions or arranging for others to provide services (such as repairs), in a significant and bona fide sense.

Management decisions that are relevant in this context include approving new tenants, deciding on rental terms, approving capital or repair expenditures, and other similar decisions.

You are not considered to actively participate if, at any time during the tax year, your interest (including your spouse's interest) in the activity was less than 10% (by value) of all interests in the activity.

**Modified Adjusted Gross Income.** This is your adjusted gross income from Form 1040, line 31, without taking into account any passive activity loss, taxable social security or equivalent railroad retirement benefits, deductible contributions to an IRA or certain other qualified retirement plans under Internal Revenue Code section 219, or the de-

duction for one-half of self-employment tax. If you file Form 8815, Exclusion of Interest From Series EE U.S. Savings Bonds Issued After 1989, modified adjusted gross income includes the interest excluded on line 14 of that form.

## Passive Activity Loss Rules

The passive activity loss rules may limit the amount of losses you can deduct. They apply to losses in Parts I, II, and III, and on line 39 of Schedule E. Losses from passive activities may be first subject to the at-risk rules. Losses deductible under the at-risk rules are then subject to the passive activity rules.

You can generally deduct losses from passive activities only to the extent of income from passive activities. An exception applies to certain rental real estate activities (see the instructions for line 23).

**Passive Activity.** A passive activity is any business activity in which you **DO NOT** materially participate and any rental activity regardless of participation. See the instructions for Form 8582 to determine whether you materially participated in a business activity. If you are a limited partner, you are generally not treated as having materially participated in the partnership's activity for the year.

The rental of real or personal property is generally a rental activity under the passive activity loss rules, but exceptions apply to this rule. If your rental of property is not treated as a rental activity, you must determine whether it is a trade or business activity, and, if so, whether you materially participated in the activity for the tax year. See the instructions for Form 8582 for the material participation tests and the definition of "rental activity." See Pub. 925 for special rules that apply to rentals of: (1) substantially nondepreciable property, (2) property incidental to development activities, and (3) property to activities in which you materially participate.

The rental of your home that you also used for personal purposes is not a passive activity. See the instructions for line 2.

A working interest in an oil or gas well that you hold directly or through an entity that does not limit your liability is not a passive activity even if you do not materially participate.

Royalty income not derived in the ordinary course of a trade or business reported on Schedule E is generally not considered income from a passive activity.

For more information on passive activities, see the instructions for Form 8582 and Pub. 925.

## Parts II and III. Income or Loss From Partnerships, S Corporations, Estates, or Trusts

If you are a member of more than one partnership, a shareholder in more than one S corporation, or a beneficiary of more than one estate or trust, do not report information from more than one entity on the same line.

If you need more space in Parts II and III to list your income or losses, attach a continuation sheet using the same format as shown in Parts II and III. However, be sure to complete the "Totals" columns for lines 28a and 28b, or lines 33a and 33b, as appropriate. If you also completed Part I on more than one Schedule E, use the same Schedule E on which you entered the combined totals in Part I.

**Tax Shelter Registration Number.** If you are claiming or you are 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 complete and attach Form 8271, Investor Reporting of Tax Shelter Registration Number. This reports the tax shelter registration number as well as other information about the tax shelter. There is a \$250 penalty if you fail to report this number on your tax return.

**Tax Preference Items.** If 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 and adjustments from these entities on Form 6251, Alternative Minimum Tax—Individuals, or Form 8656, Alternative Minimum Tax—Fiduciaries.

## Partnerships and S Corporations

If you are a member of a partnership or joint venture or a shareholder in an S corporation, use Part II to report your share of the partnership or S corporation income (even if not received) or loss. You should receive a Schedule K-1 from the partnership or the S corporation. Do not attach Schedules K-1 to your return. Keep them for your records. You should also receive a copy of the Partner's or Shareholder's Instructions for Schedule K-1. If you did not receive these instructions with your Schedule K-1, you can get a copy at most IRS offices. Your copy of Schedule K-1 and its instructions will tell you where on your return to report your share of the items.

**Special rules apply that limit losses.** Please note the following:

- If you have a current year loss or a prior year unallowed loss from a partnership or an S corporation, see the **At-Risk Rules** explained earlier and the **Passive Activity Loss Rules** on this page.

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. If you are subject to the at-risk rules for any activity, use Form 6198 to figure the amount of any deductible loss. If the activity is nonpassive, enter the deductible loss, if any, from Form 6198 in Part II, column (i), of Schedule E.

- If you have a passive activity loss, you generally need to complete Form 8582 to figure the amount of the allowable loss to enter in Part II, column (g), for that activity. But if you are a **general** partner or an S corporation shareholder reporting your share of a partnership or an S corporation loss from a rental real estate activity, **and** you meet **ALL THREE** of the conditions listed in the instructions for line 23, you do not have to complete Form 8582. Instead, enter your allowable loss in Part II, column (g).

- If you have passive activity income, complete Part II, column (h), for that activity.
- If you have nonpassive income or losses, complete Part II, columns (i) through (k), as appropriate.

If you are treating items on your tax return differently from the way the partnership or S corporation treated them on its return, you may have to file **Form 8082**, Notice of Inconsistent Treatment or Amended Return.

## Partnerships

If you have other partnership items from a passive activity, or income or loss from any publicly traded partnership, see the Schedule K-1 instructions before entering them on your return.

If you have other partnership items, such as depletion, from a nonpassive activity, show each item on a separate line in Part II. Show unreimbursed partnership expenses from nonpassive activities on a separate line in column (i) of Part II. Unreimbursed expenses that are itemized deductions are entered on Schedule A. Report allowable interest expense paid or incurred from debt-financed acquisitions in Part II, or on Schedule A, depending on the type of expenditure to which the interest is allocated. See Pub. 535 for details.

If you claimed a credit for Federal tax on gasoline or other fuels on your 1990 Form 1040 (based on information received from the partnership), enter as income in column (h) or column (k), whichever applies, the amount of the credit claimed in 1990.

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 15a, on Schedule SE, after you reduce this amount by any allowable expenses attributable to that income.

If you have losses or deductions from a prior year that you could not deduct because of the at-risk or basis rules, and the amounts are now deductible, 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 the prior year amounts and the current year amounts on separate lines of Schedule E.

## S Corporations

Your share of the net income is NOT subject to self-employment tax. Distributions of prior year accumulated earnings and profits of S corporations are dividends and are reported on **Schedule B** (Form 1040). For details, get **Pub. 589**, Tax Information on S Corporations.

Interest expense relating to the acquisition of shares in an S corporation may be fully deductible on Schedule E. For details, see Pub. 535.

As a shareholder in an S corporation, your share of the corporation's aggregate losses and deductions (combined income, losses, and deductions) is limited to the adjusted basis of your corporate stock and any debt the corporation owes you. Any loss or deduction not allowed this year because of the basis limitation may be carried forward and deducted in a later year subject to the basis limitation for that year. If you are claiming a

deduction for your share of an aggregate loss, attach to your return a computation of the adjusted basis of your corporate stock and of any debt the corporation owes you. See Pub. 589 for more information.

After applying the basis limitation, the deductible amount of your aggregate losses and deductions may be further reduced by the at-risk rules and the passive activity loss rules explained earlier.

If you have losses or deductions from a prior year that you could not deduct because of the basis or at-risk limitations, and the amounts are now deductible, 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 the prior year amounts and the current year amounts on separate lines of Schedule E.

## Estates and Trusts

If you are a beneficiary of an estate or trust, use Part III to report your part of the income (even if not received) or loss. You should receive a **Schedule K-1** (Form 1041) from the fiduciary. Do not attach that schedule to your return. Keep it for your records. Your copy of Schedule K-1 and its instructions will tell you where on your return to report the items from Schedule K-1.

If you have estimated taxes credited to you from a trust (Schedule K-1, line 13a), write "ES payment claimed" and the amount on the dotted line next to line 36. **Do not** include this amount in the total on line 36. Instead, enter the amount on Form 1040, line 55.

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 1991, the trust had a U.S. beneficiary. For more information, get **Form 3520-A**, Annual Return of Foreign Trust With U.S. Beneficiaries.

## Part IV. Income or Loss From REMICs

If you are the holder of a residual interest in a Real Estate Mortgage Investment Conduit (REMIC), use Part IV to report your total share of the REMIC's taxable income or loss for each quarter included in your tax year. You should receive **Schedule Q** (Form 1066) and instructions from the REMIC for each quarter. Do not attach the schedule(s) to your return. Keep them for your records.

REMIC income or loss reported on Schedule E is not income or loss from a passive activity.

**Note:** *If you are the holder of a regular interest in a REMIC, do not use Schedule E to report the income you received. Instead, report it on Form 1040, line 8a.*

If you are the holder of a residual interest in more than one REMIC, attach a continuation sheet using the same format as in Part IV. Enter the totals of columns (d) and (e) on line 38 of Schedule E. If you also completed Part I on more than one Schedule E, use the same Schedule E on which you entered the combined totals in Part I.

If you are treating REMIC items on your tax return differently from the way the REMIC

reported them on its return, you may have to file Form 8082.

**Column (c).** Report the total of the amounts shown on Schedule(s) Q, line 2c, in Part IV, column (c). This is the smallest amount of taxable income you may report on Form 1040, line 37, for 1991. If the taxable income you would show on Form 1040, line 37, is **smaller** than the total reported in column (c), you **must** enter the amount from column (c) on Form 1040, line 37. Write "Sch. Q" next to line 37 on Form 1040.

**Caution:** *Do not include the amount shown in column (c) in the total on line 38 of Schedule E.*

**Column (e).** Report the total of the amounts shown on Schedule(s) Q, line 3b, in Part IV, column (e). If you itemize your deductions on Schedule A, include this amount on line 20.

## Part V. Summary

### Line 40

Include any windfall profit tax credit or refund received in 1991 in the total on line 40 if you deducted the tax withheld on Schedule E in an earlier year and received a tax benefit for it on your tax return. On the dotted line next to this total, write "OWPT" and show the amount.

### Line 41

Enter on line 41 your total share of gross farming and fishing income as shown on Form 4835, line 7; Schedule K-1 (Form 1065), line 15b; Schedule K-1 (Form 1120S), line 20; and Schedule K-1 (Form 1041), line 13.

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 1990 or 1991 is at least two-thirds of your gross income, and
2. You file your 1991 tax return and pay the tax due by March 2, 1992.

# Instructions for Schedule C, Profit or Loss From Business

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. **Do not** report gambling winnings on Schedule C unless you are a professional gambler. Instead, see the instructions for Form 1040, line 22.

This activity may subject you to state and local taxes and other requirements such as business licenses and fees. Check with your state and local governments for more information.

**Additional Information.** Get **Pub. 334, Tax Guide for Small Business**, for more details on business income and expenses.

## General Instructions

### Changes You Should Note

- The standard mileage rate is 27½ cents for each mile of business use in 1991. See the instructions for line 10.
- Do not deduct expenses for business use of your home under Part II, Expenses. Instead, complete new **Form 8829**. See the instructions for line 30.

### Other Schedules and Forms You May Have To File

**Schedule A** to deduct interest, taxes, and casualty losses not related to your business.

**Schedule E** to report rental and royalty income or (loss) that is **not** subject to self-employment tax.

**Schedule F** to report profit or (loss) from farming.

**Schedule SE** to pay self-employment tax on income from any trade or business.

**Form 4562** to claim depreciation on assets placed in service in 1991, to claim amortization that begins in 1991, or to report information on listed property.

**Form 4684** to report a casualty or theft gain or loss involving property used in your trade or business or income-producing property.

**Form 4797** to report sales, exchanges, and involuntary conversions (other than from a casualty or theft) of trade or business property.

**Form 8594** to report certain purchases or sales of groups of assets that constitute a trade or business.

**Form 8824** to report like-kind exchanges.

**Form 8829** to claim expenses for business use of your home.

### Heavy Vehicle Use Tax

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 motor vehicle use tax. Get **Form 2290, Heavy Vehicle Use Tax Return**, to see if you owe this tax.

### 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, real estate transactions, annuities, and pensions. You may also have to file an information return if you sold \$5,000 or more of consumer products to a person on a buy-sell, deposit-

commission, or other similar basis for resale. For more information, get the **Instructions for Forms 1099, 1098, 5498, and W-2G**.

If you received 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**. For details, get **Pub. 1544, Reporting Cash Payments of Over \$10,000**.

### Tax Shelter

If you claim or report any deduction, loss, credit, other tax benefit, or income on Schedule C from an interest purchased or otherwise acquired in a tax shelter that is required to be registered, you **must** file **Form 8271** with your return.

## Specific Instructions

### Filers of Form 1041

Do not complete the block labeled "Social security number." Instead, enter your employer identification number (EIN) on line D.

### Line A

Describe the business or professional activity that provided your principal source of income reported on line 1. 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), 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 four-digit code that identifies your principal business or professional activity. See page 2 of Schedule C for the list of codes.

### Line D

You need an employer identification number (EIN) only if you had a Keogh plan or were required to file an employment, excise, fiduciary, or alcohol, tobacco, and firearms tax return.

If you do not have an EIN, leave line D blank. **Do not** enter your SSN.

### Line E

Enter your business address. Show a street address instead of a box number. Include the suite or room number, if any. Use your home address only if you actually conducted the business from your home.

### 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 or the accrual method. However, if inventories are required, you must use the accrual method for sales and purchases. For long-term contracts entered into after February 28, 1986, special rules apply. See Internal Revenue Code section 460 for details. The method used must clearly reflect your income.

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 determine the timing of deductions based on economic performance. Get **Pub. 538, Accounting Periods and Methods**.

To change your accounting method (including treatment of inventories), you must usually first get permission from the IRS. In general, file **Form 3115** within the first 180 days of the tax year in which you want to make the change.

### Line G

Your inventories can be valued at:

- cost,
- cost or market value, whichever is lower, or
- any other method approved by the IRS.

### Line I

Participation, for purposes of the seven material participation tests listed on the next page, generally includes any work you did in connection with an activity if you owned an

interest in the activity at the time you did the work. The capacity in which you did the work does not matter. However, work is not treated as participation if the work is not work that an owner would customarily do in the same type of activity and one of your main reasons for doing the work was to avoid the disallowance of losses or credits from the activity under the passive activity rules.

Work you did as an investor in an activity is not treated as participation unless you were directly involved in the day-to-day management or operations of the activity. Work done as an investor includes:

a. Studying and reviewing financial statements or reports on operations of the activity.

b. Preparing or compiling summaries or analyses of the finances or operations of the activity for your own use.

c. Monitoring the finances or operations of the activity in a nonmanagerial capacity.

**Participation by your spouse** during the tax year in an activity you own can be counted as your participation in the activity. This applies even if your spouse did not own an interest in the activity and whether or not you and your spouse file a joint return for the tax year.

**Material Participation.** For purposes of the passive activity rules, you materially participated in the operation of this trade or business activity during 1991 if you meet any of the following seven tests:

1. You participated in the activity for more than 500 hours during the tax year.

2. Your participation in the activity for the tax year was substantially all of the participation in the activity of all individuals (including individuals who did not own any interest in the activity) for the tax year.

3. You participated in the activity for more than 100 hours during the tax year, and you participated at least as much as any other person for the tax year. This includes individuals who did not own any interest in the activity.

4. The activity is a significant participation activity for the tax year, and you participated in all significant participation activities during the year for more than 500 hours. An activity is a "significant participation activity" if it involves the conduct of a trade or business, you participated in the activity for more than 100 hours during the tax year, and you did not materially participate under any of the material participation tests (other than this test 4).

5. You materially participated in the activity for any 5 of the prior 10 tax years.

6. The activity is a personal service activity in which you materially participated for any 3 prior tax years. A personal service activity is an activity that involves performing personal services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, or consulting, or any other trade or business in which capital is not a material income-producing factor.

7. Based on all the facts and circumstances, you participated in the activity on a regular, continuous, and substantial basis during the tax year. But you do not meet this test if you participated in the activity for 100 hours or less during the tax year. Your participation

in managing the activity does not count in determining if you meet this test if any person (except you) —

a. received compensation for performing management services in connection with the activity, or

b. spent more hours during the tax year than you spent performing management services in connection with the activity (regardless of whether the person was compensated for the services).

If you meet any of the above tests, check the "Yes" box on line I.

If you **do not** meet any of the above tests, check the "No" box on line I. This business is a **passive activity**. If you have a loss from this business, see **Limit on Losses** on this page. If you have a profit from this business activity but have current-year losses from other passive activities or you have prior-year unallowed passive activity losses, see the instructions for **Form 8582**, Passive Activity Loss Limitations.

**Exception for Oil and Gas.** If you are filing Schedule C to report income and deductions from an oil or gas well in which you own a working interest directly or through an entity that does not limit your liability, check the "Yes" box on line I. The activity of owning the working interest is not a passive activity regardless of your participation in the activity.

**Limit on Losses.** If you checked the "No" box on line I and you have a loss from this business, you may have to use Form 8582 to figure your allowable loss, if any, to enter on Schedule C, line 31. Generally, you can deduct losses from passive activities only to the extent of income from passive activities.

For more details, get **Pub. 925**, Passive Activity and At-Risk Rules.

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## Line J

If this is the first Schedule C you are filing for this business, check the box on line J.

Also check the box if you are reopening or restarting this business after temporarily closing it, and you did not file a 1990 Schedule C for this business.

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# Part I. Income

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## Line 1

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**.

**Statutory Employees.** If you received a Form W-2 and the "Statutory employee" box in Box 6 of that form was checked, report your income and expenses related to that income on Schedule C. Enter your statutory employee income from Box 10 of Form W-2 on line 1 of Schedule C, and **check the box** on that line. Social security and Medicare tax should have been withheld from your earnings; therefore, you do not have to pay self-employment tax on these earnings.

Statutory employees include full-time life insurance salespeople, certain agent or commission drivers and traveling salespeople, and certain homeworkers.

If you had both self-employment income and statutory employee income, **do not** combine these amounts on a single Schedule C. You must file two Schedules C.

**Installment Sales.** Generally, for sales after December 31, 1987, the installment method may not be used to report income from the sale of (1) personal property regularly sold under the installment method, or (2) real property held for resale to customers. But the installment method may be used to report income from sales of certain residential lots and timeshares if you elect to pay interest on the tax due on that income after the year of sale. See Internal Revenue Code section 453(l)(2)(B) for details. If you make this election, include the interest on Form 1040, line 53. Also write "453(l)(3)" and the amount of the interest on the dotted line to the left of line 53.

Any gain not yet recognized from an installment sale after February 28, 1986, of property listed in (1) or (2) above must generally be included in income over a period not to exceed 4 years. The rules of Revenue Procedure 84-74, 1984-2 C.B. 736, are used to figure the amount to include each year, except that the adjustment must be included in income at a rate no slower than the rate of contraction of your dealer installment obligations.

If you use the installment method, attach a schedule to your return. Show separately for 1991 and the 3 preceding years: gross sales, cost of goods sold, gross profit, percentage of gross profit to gross sales, amounts collected, and gross profit on amounts collected.

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## Line 2

Enter on line 2 such items as returned sales, rebates, and allowances from the sales price.

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## Line 6

Report on line 6 amounts from finance reserve income, scrap sales, bad debts you recovered, interest (such as on notes and accounts receivable), state gasoline or fuel tax refunds you got in 1991, credit for Federal tax on gasoline or other fuel claimed on your 1990 Form 1040, and other kinds of miscellaneous business income. Include amounts you received in your trade or business as shown on **Form(s) 1099-PATR**.

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 1991, report on this line any recapture of excess depreciation, including any section 179 expense deduction. Use **Form 4797**, Sales of Business Property, to figure the recapture.

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# Part II. Expenses

**Capitalizing Costs of Property.** If you produced real or tangible personal property or acquired property for resale, certain expenses attributable to the property must be included in inventory costs or capitalized. In addition to direct costs, producers of inventory property must also include part of certain indirect costs in their inventory. Purchasers of personal property acquired for

resale must include part of certain indirect costs in inventory only if the average annual gross receipts for the 3 prior tax years exceed \$10 million. Also, you must capitalize part of the indirect costs that benefit real or tangible personal property constructed for use in a trade or business, or noninventory property produced for sale to customers. Reduce the amounts on lines 8–27b by amounts capitalized. For more details, see **Pub. 538**.

**Exception for Creative Property.** If you are an artist, author, or photographer, you may be exempt from the capitalization rules. However, your personal efforts must have created (or reasonably be expected to create) the property. This exception does not apply to any expense related to printing, photographic plates, motion picture films, video tapes, or similar items. These expenses are subject to the capitalization rules. For more details, see **Pub. 538**.

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## Line 9

**Caution:** *Cash method taxpayers cannot take 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. If you later collect a debt that you deducted as a bad debt, include it as income in the year collected.

For more details, get **Pub. 535**, Business Expenses.

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## Line 10

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 did not own the vehicle or if you used more than one vehicle simultaneously in your business (such as in fleet operations).

If you deduct actual costs, include on line 10 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc. Show depreciation on line 13 and rent or lease payments on line 20a.

For 1991, the standard mileage rate is 27½ cents a mile for all miles of business use. Add to this amount your parking fees and tolls.

For more details, get **Pub. 917**, Business Use of a Car.

**Note:** *If you claim any car or truck expenses (actual costs or the standard mileage rate), you must complete Part V of Form 4562, Depreciation and Amortization.*

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## Line 12

Enter your deduction for depletion on this line. If you have timber depletion, attach **Form T**. See **Pub. 535** for details.

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## Line 13

**Depreciation and Section 179 Expense Deduction.** Depreciation is the annual deduction allowed to recover the cost or other basis of business or income-producing property with a useful life of more than one year. It does not apply to stock in trade, inventories, land, and personal assets. You may also choose under Internal Revenue Code sec-

tion 179 to expense part of the cost of certain property you bought in 1991 for use in your business.

See the **Instructions for Form 4562** to figure the amount of depreciation and section 179 expense deduction to enter on line 13. (Instructions are also included in new **Pub. 946**, How To Begin Depreciating Your Property, or **Pub. 534**, Depreciation.)

**You must complete and attach Form 4562 only if:**

1. You are claiming depreciation on property placed in service during 1991 or are claiming a section 179 expense deduction for the property, **or**
2. You are claiming depreciation on any listed property regardless of when it was placed in service.

Listed property includes, but is not limited to:

- Passenger automobiles weighing 6,000 pounds or less.
- Any other property used for transportation if the nature of the property lends itself to personal use, such as motorcycles, pick-up trucks, etc.
- Any property used for entertainment or recreational purposes (such as photographic, phonographic, communication, and video recording equipment).
- Cellular telephones or other similar telecommunications equipment placed in service after 1989.
- Computers or peripheral equipment.

Listed property does not include photographic, phonographic, communication, or video equipment used exclusively in a taxpayer's trade or business or regular business establishment. It also does not include any computer or peripheral equipment used exclusively at a regular business establishment and owned or leased by the person operating the establishment.

If you have listed property that you placed in service after June 18, 1984, and the business use percentage of the property decreased to 50% or less in 1991, you may have to recapture excess depreciation, including any section 179 expense deduction. Get **Form 4797** and its instructions for details.

If you took an investment credit on property that you dispose of before the end of the recapture period or useful life used to figure the credit, the business use percentage decreases, or the property use otherwise changes so that it no longer qualifies, you may have to refigure the credit. See **Form 4255**, Recapture of Investment Credit, for details.

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## Line 14

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 19. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs.

Do not include on line 14 any contributions you made on your behalf as a self-employed person to an accident and health plan or for group-term life insurance. You may be able to deduct on Form 1040, line 26, part of the amount you paid for health insurance on behalf of yourself, your spouse, and depen-

dents, even if you do not itemize your deductions. See the instructions for that line for more details.

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## Line 15

Deduct premiums paid for business insurance on line 15. Deduct on line 14 amounts paid for employee accident and health insurance.

Do not deduct amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability.

For more details, see **Pub. 535**.

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## Lines 16a and 16b

**Interest Allocation Rules.** The tax treatment of interest expense differs depending on its type. For example, personal interest, home mortgage interest, and investment interest are all treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted (or capitalized) on the correct line of your return and gets the right tax treatment. These rules could affect how much interest you are allowed to deduct on Schedule C.

Generally, you allocate interest expense by tracing how the proceeds of the loan were used. See **Pub. 535** for details.

If you paid interest on a debt secured by your main home, and any of the proceeds from that debt were used in connection with your trade or business, see **Pub. 535** to figure the amount that is deductible on Schedule C.

If you paid interest that applies to future years, deduct for 1991 only the part that applies to 1991.

If you have a mortgage on real property used in your business (other than your main home), enter on line 16a the interest you paid for 1991 to banks or other financial institutions for which you received a **Form 1098**, Mortgage Interest Statement. (If you didn't receive a **Form 1098**, enter the interest on line 16b.)

If you paid \$600 or more of mortgage interest, the recipient should send you a **Form 1098**, or similar statement showing the total interest received from you during 1991. This statement must be sent to you by January 31, 1992. If you paid more mortgage interest to financial institutions than is shown on **Form 1098**, or similar statement, see **Pub. 535** to find out if you can deduct the additional interest. If you can, enter the amount on line 16a. Attach a statement to your return explaining the difference. Write "See attached" in the left margin next to line 16a.

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**, report your share of the interest on line 16b. 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 16b, write "See attached."

Do not deduct interest you paid or accrued on debts allocable to investment property. This interest is generally deducted on **Schedule A**. For details, get **Pub. 550**, Investment Income and Expenses.

## Line 19

Enter your deduction for contributions to a pension, profit-sharing, or annuity plan, or plans for the benefit of your employees. If the plan includes you as a self-employed person, enter contributions made as an employer on your behalf on Form 1040, line 27, not on Schedule C.

Generally, you must file one of the following forms if you maintain a pension, profit-sharing, or other funded-deferred compensation plan. The filing requirement is not affected by whether or not the plan qualified under the Internal Revenue Code, or 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/R, or 5500EZ.**—Complete the applicable form for each plan with fewer than 100 participants.

There is a penalty for failure to timely file these forms.

For more information, get **Pub. 560**, Retirement Plans for the Self-Employed.

## Line 20a

If you rented or leased vehicles, machinery, or equipment, enter on line 20a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an amount called the **inclusion amount**.

**You may have to do this if—**

The lease term began:	And the vehicle's fair market value on the first day of the lease exceeded:
After 12/31/86 . . . . .	\$12,800
After 12/31/85 but before 1/1/87 . . . . .	28,000
After 4/2/85 but before 1/1/86 . . . . .	32,400
After 12/31/84 but before 4/3/85 . . . . .	40,500
After 6/18/84 but before 1/1/85 . . . . .	46,500

For information on how to figure the inclusion amount, see **Pub. 917**.

## Line 21

Deduct the cost of repairs and maintenance. Include 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. Do not deduct amounts spent to restore or replace property; they must be capitalized.

## Line 23

You can deduct the following taxes:

- Real estate and personal property taxes on business assets.
- Social security and Medicare taxes paid to match required withholding from your employees' wages. Also, Federal unemployment tax paid. To deduct one-half of your

self-employment tax, see the instructions for Form 1040, line 25.

- 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.
- State and local sales taxes (treat instead as part of the cost of the property).
- Other taxes not related to your business.

## Line 24a

Enter your business travel expenses. Do not include expenses for meals or entertainment.

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. These rules apply to both employers and employees. Other rules apply to luxury water travel. For more details, get **Pub. 463**, Travel, Entertainment, and Gift Expenses.

## Lines 24b and 24c

On line 24b enter your total business meal and entertainment expenses. Include meals while traveling away from home for business. Instead of the actual cost of your meals while traveling away from home, you may use the standard meal allowance. For more details, see **Pub. 463**.

Business meal expenses are deductible only if they are (1) directly related to or associated with the active conduct of your trade or business, (2) not lavish or extravagant, and (3) incurred while you or your employee is present at the meal.

You cannot deduct any expense paid or incurred for a facility (such as a yacht or hunting lodge) used for any activity usually considered entertainment, amusement, or recreation.

There are exceptions to these rules as well as other rules that apply to sky-box rentals and tickets to entertainment events. See **Pub. 463**.

Generally, you may deduct **only** 80% of your business meal and entertainment expenses, including meals incurred while traveling away from home on business. However, you may fully deduct meals and entertainment furnished or reimbursed to an employee if you properly treat the expense as wages subject to withholding. You may also fully deduct meals and entertainment provided to a nonemployee to the extent the expenses are includible in the gross income of that person and reported on Form 1099-MISC.

Figure how much of the amount on line 24b is subject to the 80% limit. Then, multiply that amount by 20% (.20) and enter the result on line 24c.

## Line 25

Deduct only utility expenses paid or incurred for your trade or business.

**Local Telephone Service.** If you used your home phone for business, do not deduct the

base rate (including taxes) of the first phone line into your residence. But you can deduct expenses for any additional costs you incurred for business that are more than the cost of the base rate for the first phone line. For example, if you had a second line, you can deduct the business percentage of the charges for that line, including the base rate charges.

## Line 26

Enter the total salaries and wages (other than salaries and wages deducted elsewhere on your return) paid or incurred for the tax year minus any jobs credit you claimed on **Form 5884**. Do not include amounts 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 claimed elsewhere.

## Lines 27a and 27b

Include all ordinary and necessary business expenses not deducted elsewhere on Schedule C. List the type and amount of each expense separately on the dotted lines for line 27a. Enter the total on line 27b. Do not include the cost of business equipment or furniture, replacements or permanent improvements to property, or personal, living and family expenses. Do not include charitable contributions.

Include any loss from this activity that was not allowed as a deduction last year because of the at-risk rules. If any loss from this activity was not allowed last year because of the passive loss limitations, see the instructions for Form 8582.

**Amortization.** Include amortization on line 27a. For amortization that begins in 1991, you must complete and attach **Form 4562**.

You may amortize:

- The cost of pollution-control facilities.
- Amounts paid for research and experimentation.
- Amounts paid before 1987 for trademarks and trade names.
- Certain business startup costs.
- Qualified forestation and reforestation costs.

You may be able to claim a tax credit of up to \$5,000 for eligible expenditures paid or incurred in 1991 to provide access to your business for individuals with disabilities. Get **Form 8826**, Disabled Access Credit, for more details. You can also deduct up to \$15,000 of costs paid or incurred in 1991 to remove architectural or transportation barriers to individuals with disabilities and the elderly. However, you cannot take both the credit and the deduction on the same expenditures.

You can depreciate your leasehold improvement costs for leased business property.

In general, you may not amortize real property construction period interest and taxes. Special rules apply for allocating interest to real or personal property produced in your trade or business.

For more details, see **Pub. 535**.

**Capital Construction Fund.** The deduction for amounts contributed to a capital construction fund set up under the Merchant Marine Act of 1936 is no longer taken on Schedule C. To take the deduction, reduce the amount that would otherwise be entered as taxable income on Form 1040, line 37, by the amount of the deduction. In the margin to the left of line 37, write "CCF" and the amount of the deduction. For more information, get **Pub. 595**, Tax Guide for Commercial Fishermen.

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## Line 30

**Business Use of Your Home.** You may be able to deduct certain expenses for business use of your home, subject to limitations. Generally, any amount not allowed as a deduction for 1991 because of the limitations can be carried over to 1992. You must attach **Form 8829**, Expenses for Business Use of Your Home, if you claim this deduction.

For details, see the instructions for Form 8829, and get **Pub. 587**, Business Use of Your Home.

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## Line 31

If you have a loss, the amount of loss you can deduct this year may be limited. Go on to line 32 before entering your loss on line 31. If you answered "No" to Question I on Schedule C, also see the instructions for **Form 8582**. Enter the net profit or **deductible** loss here. Combine this amount with any profit or loss from other businesses, and enter the total on Form 1040, line 12, and Schedule SE, line 2 (or Form 1041, line 3).

**Statutory Employees.** If you are filing Schedule C to report income and expenses as a statutory employee, include your net profit or deductible loss from line 31 with other Schedule C amounts on Form 1040, line 12. However, **do not** report this amount on Schedule SE, line 2. If you are required to file Schedule SE because of other self-employment income, see the instructions for Schedule SE.

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## Line 32

**At-Risk Rules.** Generally, if you have (a) a business loss, and (b) amounts in the business for which you are **not at risk**, you will have to complete **Form 6198**, At-Risk Limitations, to figure your allowable loss.

The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the business.

Check **Box 32b** if you have amounts for which you are not at risk in this business, such as the following:

- Nonrecourse loans used to finance the business, to acquire property used in the business, or to acquire the business, that are not secured by your own property (other than property used in the business). (However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property.)
- Cash, property, or borrowed amounts used in the business (or contributed to the business, or used to acquire the business) that are protected against loss by a guarantee, stop-loss agreement, or other similar ar-

angement (excluding casualty insurance and insurance against tort liability).

- Amounts borrowed for use in the business from a person who has an interest in the business, other than as a creditor, or who is related, under Internal Revenue Code section 465(b)(3), to a person (other than you) having such an interest.

If all amounts are at risk in this business, check **Box 32a** and enter your loss on line 31. But, if you answered "No" to Question I, you may need to complete **Form 8582** to figure your allowable loss to enter on line 31. See the Instructions for Form 8582 for more details.

If you checked **Box 32b**, get Form 6198 to determine the amount of your deductible loss and enter that amount on line 31. But if you answered "No" to Question I, your loss may be further limited. See the Instructions for Form 8582. If your at-risk amount is zero or less, enter zero on line 31. Be sure to attach Form 6198 to your return. If you checked Box 32b and you fail to attach Form 6198, the processing of your tax return may be delayed.

**Statutory employees**, include your deductible loss with other Schedule C amounts on Form 1040, line 12. **Do not** include this amount on Schedule SE, line 2.

Any loss from this business not allowed for 1991 because of the at-risk rules is treated as a deduction allocable to the business in 1992. For more details, see the instructions for Form 6198 and **Pub. 925**.

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## Part III. 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.

**Note:** *Certain direct and indirect expenses must be capitalized or included in inventory. See the instructions for Part II.*

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# Instructions for Schedule SE, Self-Employment Tax

Schedule SE is used to figure the tax due on net earnings from self-employment. The Social Security Administration uses the information from Schedule SE to figure your benefits under the social security program. This tax applies no matter how old you are, and even if you are already getting social security benefits.

**Additional Information.** Get **Pub. 533, Self-Employment Tax**, for more details.

## General Instructions

### A Change You Should Note

The tax of 15.3% on self-employment income is the total of the 2.9% Medicare tax and the 12.4% social security tax. For 1991, the maximum amount of self-employment income subject to the Medicare tax is \$125,000. The maximum amount subject to social security tax for 1991 is \$53,400.

You must use Long Schedule SE if your net earnings from self-employment plus the total of all of your wages (and tips) subject to social security, Medicare, or railroad retirement tax is more than \$53,400.

### Who Must File Schedule SE

You must file Schedule SE if both **a** and **b** below apply to you:

**a.** You were self-employed, and your net earnings from self-employment were \$400 or more (or you had church employee income of \$108.28 or more—see **Employees of Churches and Church Organizations** below), AND

**b.** You did not have wages (and tips) of \$125,000 or more that were subject to social security and Medicare tax (or railroad retirement tax).

### Who Can File Schedule SE

Even if you are not required to file Schedule SE, it may be to your benefit to file it and use the "optional method" in Section B.

**Note:** Using the optional method may give you the benefits described below, but it may also increase your self-employment tax.

### How Can the Optional Method Help You?

1. **Social security coverage.**—The optional method may give you credit toward your social security coverage even though you have a loss or low income from self-employment.

2. **Earned income credit.**—Depending on your circumstances, using the optional method may qualify you to claim the earned income credit or give you a larger credit. This could happen if your net SE earnings determined without using the optional method are less than \$1,600. Figure the earned income credit with and without using the optional method to see if the optional method will benefit you.

3. **Child and dependent care credit.**—The optional method may also help you qualify

for this credit or give you a larger credit. This could happen if your net SE earnings determined without using the optional method are less than \$1,600. Figure this credit with and without using the optional method to see if the optional method will benefit you.

### Who Is Subject to Self-Employment Tax?

#### Self-Employed Persons

You are subject to SE tax if you had net earnings from being self-employed. If you are in business for yourself, or you are a farmer, for example, you are self-employed.

Your share of certain partnership income and guaranteed payments are also subject to SE tax. See **Partnership Income or Loss** on the next page.

#### Employees of Churches and Church Organizations

If you had church employee income of \$108.28 or more, you may be subject to SE tax. **Church employee income** is wages you received as an employee (other than as a minister or member of a religious order) from a church or qualified church-controlled organization that has a certificate in effect electing exemption from employer social security and Medicare taxes. See line B at the top of Long Schedule SE.

Although earnings you had as a minister or member of a religious order are not included in church employee income, you must include these earnings on line 2 of either Short or Long Schedule SE, unless the IRS approved you as being exempt from SE tax. See **Who Is Not Subject to Self-Employment Tax?**, below.

#### U.S. Citizens Employed by Foreign Governments or International Organizations

You are subject to SE tax if you are a U.S. citizen employed by a foreign government (or, in certain cases, by a wholly-owned instrumentality of a foreign government or an international organization under the International Organizations Immunities Act) in the United States, Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, or the Virgin Islands. Report income from this employment on Schedule SE (Section A or B), line 2. If you are employed elsewhere by a foreign government or an international organization, those earnings are not subject to SE tax.

#### 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, in most cases you are subject to SE tax. You may not reduce your foreign earnings from self-employment by your foreign earned income exclusion.

#### Who Is Not Subject to Self-Employment Tax?

In most cases, you are subject to SE tax on net earnings you get as a minister, a member of a religious order who has not taken a vow of poverty, or a Christian Science practitioner. But you will not be subject to SE tax on those net earnings if you filed **Form 4361**, Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners, and the IRS approved you as being exempt from SE tax. In this case, if you have no other income subject to SE tax, write "Exempt-Form 4361" on Form 1040, line 47. However, if you have other earnings of \$400 or more subject to SE tax, see line A at the top of Long Schedule SE. **Note:** If you have ever filed **Form 2031** to elect social security coverage on your earnings as a minister, you cannot change that election now.

If you have conscientious objections to social security insurance because of your membership in and belief in the teachings of a religious sect recognized as being in existence at all times since December 31, 1950, and which has provided a reasonable level of living for its dependent members, you are not subject to SE tax if you got IRS approval by filing **Form 4029**, Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefits. In this case, do not file Schedule SE. Instead, write "Form 4029" on Form 1040, line 47. Get **Pub. 517**, Social Security for Members of the Clergy and Religious Workers, for more details.

#### More Than One Business

If you farmed and had at least one other business or you had two or more businesses, your net earnings from self-employment are the combined net earnings from all your businesses. If you had a loss in one business, it reduces the income from another. Figure the combined SE tax on one Schedule SE.

## Joint Returns

Show the name of the spouse with SE income on Schedule SE. If both spouses have SE income, each must file a separate Schedule SE. If one spouse qualifies to use Short Schedule SE, and the other has to use Long Schedule SE, both can use one Schedule SE. One spouse should complete the front and the other the back.

Include the total profits or losses from all businesses on Form 1040, as appropriate. Enter the combined SE tax on Form 1040, line 47.

## Community Income

In most cases, if any of the income from a business (including farming) is community income, all of the income from that business is SE earnings of the spouse who carried on the business. The facts in each case will determine which spouse carried on the business. If you and your spouse are partners in a partnership, see **Partnership Income or Loss** below.

If you and your spouse had community income and file separate returns, attach Schedule SE to the return of the spouse with the SE income. Also attach Schedule(s) C or F.

**Caution:** Community income included on Schedule(s) C or F must be divided for income tax purposes on the basis of the community property laws.

## Fiscal Year Filers

If your tax year is a fiscal year, use the tax rate and earnings base that apply at the time the fiscal year begins. Do not prorate the tax or earnings base for a fiscal year that overlaps the date of a rate or earnings base change.

## Specific Instructions

Read the top of page 1 of Schedule SE to see if you can use **Section A**, Short Schedule SE, or if you must use **Section B**, Long Schedule SE. For either section, you need to know what to include as net earnings from self-employment. Read the instructions below to see what to include as net earnings and how to fill in lines 1 and 2 of either Short or Long Schedule SE. Enter all negative amounts in parentheses.

## Net Earnings From Self-Employment

### What Is Included in Net SE Earnings?

In most cases, net earnings include your net profit from a farm or nonfarm business. If you were a partner in a partnership, see the instructions below.

If you were a duly ordained minister who was an employee of a church and you are subject to SE tax, the unreimbursed business expenses that you incurred as a church employee are allowed only as an itemized deduction for income tax purposes. They are deducted from your SE earnings in figuring

SE tax. However, special rules apply. See Pub. 517.

If you were a U.S. citizen or a resident alien serving outside the United States as a minister or member of a religious order and you are subject to SE tax, you may not reduce your net earnings by the foreign housing exclusion or deduction.

## Partnership Income or Loss

If you were a general or limited partner in a partnership, include on line 1 or line 2, whichever applies, the amount from line 15a of Schedule K-1 (Form 1065). If you were a general partner, reduce this amount before entering it on Schedule SE by any section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties. If you reduce the amount you enter on Schedule SE, attach an explanation.

If you were a general partner, the amount reported by the partnership on line 15a of Schedule K-1 should include your share of partnership income or loss subject to SE tax and any guaranteed payments the partnership made to you for services or for the use of capital. If you were a limited partner, the amount reported on line 15a of Schedule K-1 should include only guaranteed payments for services you actually rendered to or on behalf of the partnership.

Income or loss from a partnership engaged solely in the operation of a group investment program is not included in net SE earnings for either a general or limited partner.

If you were married and both you and your spouse were partners in a partnership, each of you is subject to SE tax on your own share of partnership income. Each of you must file a Schedule SE and report the partnership income or loss on **Schedule E** (Form 1040), Part II, for income tax purposes.

SE income belongs to the person who is the member of the partnership and cannot be treated as SE income by the nonmember spouse, even in community property states.

If a partner dies, and the partnership continues, the deceased's distributive share of the partnership's ordinary income or loss through the end of the month in which he or she dies must be included in SE income. See Internal Revenue Code section 1402(f).

## Share Farming

You are considered self-employed if you produced crops or livestock on someone else's land for a share of the crops or livestock produced (or the proceeds from the sale of them). This applies even if you had another person (an agent) doing the actual work or management for you. Report your net earnings for income tax purposes on **Schedule F** (Form 1040) and for SE tax purposes on Schedule SE. For more details, get **Pub. 225**, Farmer's Tax Guide.

## Other Income and Losses Included in Net Earnings From Self-Employment

• Rental income from a farm, if, 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 partici-

pated materially in farm management or production, do not consider the activities of any agent who acted for you. The material participation tests are explained in Pub. 225.

• Cash or a payment-in-kind from the Department of Agriculture for being in a land diversion program.

• Payments for the use of rooms or other space when you also provided substantial services. Examples are hotel rooms, boarding houses, tourist camps or homes, parking lots, warehouses, and storage garages.

• Income from the retail sale of newspapers and magazines if you were 18 or older and kept the profits.

• Amounts received by current or former self-employed insurance agents that are:

a. Paid after retirement, but calculated as a percentage of commissions received from the paying company before retirement;

b. Renewal commissions; or

c. Deferred commissions paid after retirement for sales made before retirement.

• Income as a crew member of a fishing vessel with a crew of normally fewer than 10 people. See Pub. 595.

• Fees as a state or local government employee if you were paid only on a fee basis and the job was 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 to you as a minister or a member of a religious order. See Pub. 517.

• The value of meals and lodging given to you for the convenience of your employer if you are a minister or member of a religious order.

• Fees and other payments received by you for services as a director of a corporation.

• Recapture amounts under sections 179 and 280F that you included in gross income because the business use of the property dropped to 50% or less. Do not include amounts you recaptured on the disposition of property. See **Form 4797**, Sales of Business Property.

• Fees you received as a professional fiduciary. This may also apply to fees you got as a nonprofessional fiduciary if the fees relate to active participation in the operation of the estate's business, or the management of an estate that required extensive management activities over a long period of time.

• Gain or loss from section 1256 contracts or related property by an options or commodities dealer in the normal course of dealing in or trading section 1256 contracts.

## Income and Losses Not Included in Net Earnings From Self-Employment

• Salaries, fees, etc., subject to social security or Medicare 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 earlier under **Other Income and Losses Included in Net Earnings From Self-Employment**) or as an employee or em-

ployee 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.

- Income from real estate rentals (including rentals paid in crop shares), if you did not get the income in the course of a trade or business as a real estate dealer. This includes cash and crop shares received from a tenant or sharefarmer. Report this income on Schedule E.

- Dividends on shares of stock and interest on bonds, notes, etc., if you did not get the income 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.

**Statutory employee income.** If you were a statutory employee and filed Schedule C to report your income and expenses, **do not** include the net profit or (loss) from line 31 of that Schedule C on line 2 of Short or Long Schedule SE. But if you file Long Schedule SE, be sure to include statutory employee social security wages and tips from Form W-2 on line 8a, and statutory employee Medicare wages and tips from Form W-2 on line 12a.

## Optional Methods

### Optional Method for Farm Income

*Was your gross farm income for the year \$2,400 or less?* If it was, you can report on line 17, Part II, two-thirds of your gross farm income instead of your actual net earnings.

If your gross farm income was more than \$2,400, and your net farm profits (defined below) were less than \$1,733, you can report \$1,600 on line 17, Part II.

If you can use this method, it can increase or decrease your net SE farm earnings, even if the farming business resulted in a loss. There is no limit on how many times you can use this method. If you use this method, you must apply it to all your farm earnings from self-employment for the year.

You may change the method after you file your return. For example, you can change from the regular to the optional method or from the optional to the regular method.

For a farm partnership, figure your share of gross income based on the partnership agreement. With guaranteed payments, your share of the partnership's gross income is your guaranteed payments plus your share of the gross income after it is reduced by all guaranteed payments of the partnership. If you are a limited partner, include only guaranteed payments for services you actually rendered to or on behalf of the partnership.

**Net farm profits** is the total of the amounts from Schedule F (Form 1040), line

37, and Schedule K-1 (Form 1065), line 15a, from farm partnerships.

### Optional Method for Nonfarm Income

*Were your net nonfarm profits (defined below) less than \$1,733, and also less than 72.189% of your gross nonfarm income?* If so, you may use this method if you are regularly self-employed or regularly a partner. You meet this requirement if you had actual net earnings from self-employment of \$400 or more in at least 2 of the 3 years just before the year for which you use the nonfarm method. The net earnings of \$400 or more could be from either farm or nonfarm earnings or both. The net earnings include your distributive share of the income or loss from any of your partnerships. The limit for the optional method for nonfarm self-employment is 5 years. The 5 years do not have to be consecutive.

You may report on line 19, Part II, two-thirds of your gross nonfarm income, up to \$1,600, as your net earnings. But **you may not report less than your actual net earnings** from nonfarm self-employment.

For a nonfarm partnership, see **Optional Method for Farm Income**, earlier, for details on how to figure your share of gross income from the partnership.

**Net nonfarm profits** is the total of the amounts from Schedule C (Form 1040), line 31, and Schedule K-1 (Form 1065), line 15a, other than farm partnerships.

### Using Both Optional Methods

If you can use both methods, you may report less than your total actual net earnings from farm and nonfarm income, but you **cannot** report less than your actual net earnings from nonfarm SE income alone.

If you use both methods to figure net earnings, you **cannot** report more than \$1,600 of net SE earnings.

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# Instructions for Schedule F, Profit or Loss From Farming

Use Schedule F to report farm income and expenses. File it with Form 1040, 1041, or 1065.

This activity may subject you to state and local taxes and other requirements such as business licenses and fees. Check with your state and local governments for more information.

**Additional Information.** Pub. 225, *Farmer's Tax Guide*, has samples of filled-in forms and schedules, and lists important dates that apply to farmers.

## General Instructions

### A Change You Should Note

The standard mileage rate has been increased to 27½ cents for each mile of business use in 1991. See the instructions for line 13.

### Other Schedules and Forms You May Have To File

**Schedule E** to report rental income from pasture land that is based on a flat charge. Report this income in Part I of Schedule E. But report on line 10 of Schedule F pasture income received from taking care of someone else's livestock.

**Schedule SE** to pay self-employment tax on income from any trade or business.

**Form 4562** to claim depreciation on assets placed in service in 1991, to claim amortization that begins in 1991, or to report information on listed property.

**Form 4684** to report a casualty or theft gain or loss involving farm business property, including livestock held for draft, breeding, sport, or dairy purposes.

See Pub. 225 for more information on how to report various farm losses, such as losses due to death of livestock or damage to crops or other farm property.

**Form 4797** to report sales, exchanges, or involuntary conversions (other than from a casualty or theft) of certain farm property. Also use this form to report sales of livestock held for draft, breeding, sport, or dairy purposes.

**Form 4835** to report rental income based on farm production or crop shares if you did not materially participate (for self-employment tax purposes) in the management or operation of the farm. This income is not subject to self-employment tax. See Pub. 225.

**Form 8824** to report like-kind exchanges.

### Heavy Vehicle Use Tax

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 motor vehicle use tax. Get **Form 2290**, Heavy Vehicle Use Tax Return, to see if you owe this tax.

### 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. You may also have to file an information return if you sold \$5,000 or more of

consumer products to a person on a buy-sell, deposit-commission, or other similar basis for resale. For more information, get the **Instructions for Forms 1099, 1098, 5498, and W-2G**.

If you received cash of more than \$10,000 in one or more related transactions in your farming business, you may have to file **Form 8300**. For details, get **Pub. 1544**, Reporting Cash Payments of Over \$10,000.

### Estimated Tax

If you had to make estimated tax payments in 1991 and you underpaid your estimated tax, you will not be charged a penalty if **both** of the following apply:

1. Your gross farming or fishing income for 1990 or 1991 is at least two-thirds of your gross income.
2. You file your 1991 tax return and pay the tax due by March 2, 1992.

For more details, see Pub. 225.

## Specific Instructions

### Filers of Forms 1041 and 1065

Do not complete the block labeled "Social security number (SSN)." Instead, enter your employer identification number (EIN) on line D.

### Lines A and B

On line A, enter your principal crop or activity for the current year.

On line B, enter one of the 15 principal agricultural activity codes listed in Part IV on page 2 of Schedule F. Select the code that best describes the source of most of your income. **Field crop** includes 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. **Animal specialty** includes the raising of pets or laboratory animals, such as dogs, cats, bees, and snakes.

### Line C

Under the **cash method**, include all income in the year you actually get it. Generally, deduct expenses when you pay them. If you use the cash method, check the box labeled "Cash." Complete Parts I and II of Schedule F.

Under the **accrual method**, include income in the year you earn it. It does not matter when you get it. Deduct expenses when you incur them. If you use the accrual

method, check the box labeled "Accrual." Complete Parts II, III, and line 11 of Schedule F.

Other rules apply that determine the timing of deductions based on economic performance. Get **Pub. 538**, Accounting Periods and Methods, for details.

**Farming syndicates** cannot use the cash method of accounting. A farming syndicate may be a partnership, 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 shared by limited partners or limited entrepreneurs. (A *limited partner* is one who can lose only the amount invested or required to be invested in the partnership; a *limited entrepreneur* is a person who does not take any active part in managing the business.)

### Line D

You need an employer identification number (EIN) only if you had a Keogh plan or were required to file an employment, excise, fiduciary, partnership, or alcohol, tobacco, or firearms tax return.

If you do not have an EIN, leave line D blank. **Do not** enter your SSN.

### Line E

You can elect to include Commodity Credit Corporation loan proceeds as income in the year you received them instead of reporting as income the proceeds from the sale of the commodities in the year of sale or in the year of forfeiture. If you made this election and reported these loan proceeds as income in a prior year, check the "Yes" box on line E. Otherwise, check "No." For information on how to make this election, see the instructions for lines 7a through 7c.

### Line F

**Material Participation.** See the instructions for **Schedule C** (Form 1040), line I, for the definition of material participation for purposes of the passive activity rules.

If you meet any of the material participation tests described in the line I instructions for Schedule C, check the "Yes" box.

If you are a retired or disabled farmer, you are treated as materially participating in a farming business if you materially participated 5 of the 8 years preceding your retirement or disability. Also, a surviving spouse is treated as materially participating in a farming

activity if the real property used for farming meets the estate tax rules for special valuation of farm property passed from a qualifying decedent, and the surviving spouse actively manages the farm.

Check the "No" box if you did not materially participate. If you checked "No" and you have a loss from this business, see **Limit on Losses**, below. If you have a profit from this business activity but have current-year losses from other passive activities or prior year unallowed passive activity losses, see the instructions for **Form 8582**, Passive Activity Loss Limitations.

**Limit on Losses.** If you checked the "No" box on line F and you have a loss from this business, you may have to use Form 8582 to figure your allowable loss, if any, to enter on Schedule F, line 36. Generally, you can deduct losses from passive activities only to the extent of income from passive activities.

For more details, get **Pub. 925**, Passive Activity and At-Risk Rules.

## Line G

**Capitalization rules** apply if you produced real or tangible personal property or acquired property for resale (see **Exceptions** below). This means that certain expenses must be included in inventory costs or capitalized. These expenses include the direct costs of the property and the share of any indirect costs allocable to that property. But in some cases, you may be able to elect to currently deduct certain preproductive period expenses rather than capitalize them. See **Election To Deduct Certain Preproductive Period Expenses** below.

**Exceptions.** These rules generally do not apply to:

1. expenses of raising animals,
2. expenses of producing any plant that has a preproductive period of 2 years or less, or
3. expenses of replanting certain crops if they were lost or damaged by reason of freezing temperatures, disease, drought, pests, or casualty.

**Note:** *Exceptions 1 and 2 above do not apply to tax shelters, farm syndicates, or partnerships required to use the accrual method of accounting under Internal Revenue Code section 447 or 448.*

If you revoked a prior election to deduct preproductive period expenses for animals, you must continue to apply the alternative depreciation rules to property placed in service while your election was in effect. Also, the expenses you previously chose to deduct will have to be recaptured as ordinary income when you dispose of the animals. If you revoked a prior election to use the simplified method of capitalizing the costs of raising female beef or dairy cattle, you must continue to amortize the costs capitalized in tax years beginning before 1989.

**Election To Deduct Certain Preproductive Period Expenses.** If the preproductive period of any plant you produce is more than 2 years, you may choose to currently deduct the expenses rather than capitalize them. But you may not make this election for the costs of planting or growing citrus or almond groves that are incurred before the end of the 4th tax year beginning with the tax year you planted them in their permanent grove.

**Note:** *In the case of a partnership or S corporation, the election must be made by the partner or shareholder. This election may not be made by tax shelters, farm syndicates, or partners in partnerships required to use the accrual method of accounting under Internal Revenue Code section 447 or 448.*

If you make the election to deduct preproductive expenses for plants, any gain you realize when disposing of the plants is ordinary income up to the amount of the preproductive expenses you deducted. Also, the alternative depreciation rules apply to property placed in service in any tax year your election is in effect. Unless you obtain the consent of the IRS, you must make this election for the first tax year in which you engage in a farming business involving the production of property subject to the capitalization rules. You may not revoke this election without the consent of the IRS.

For more information, see Pub. 225.

**Which Box Should I Check?** If you revoked a prior election for animals and do not have any preproductive period expenses, check the "Does Not Apply" box on line G. Also check this box if you do not, or did not, have preproductive period expenses or if you are not eligible to make the election.

Check the "Yes" box if you are making the election to currently deduct your preproductive period expenses. Also check the "Yes" box if you made this election in a prior year.

Check the "No" box if you are capitalizing your preproductive period expenses. Also check the "No" box if you chose to capitalize them in a prior year.

**Caution:** *If you are eligible to make this election but you do not check any of the boxes on line G and you deduct these expenses, you are treated as having checked the "Yes" box.*

## Part I. Farm Income—Cash Method

In Part I show income received for items listed on lines 1 through 10. Count both the cash actually or constructively received and the fair market value of goods or other property received for these items.

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 count the income from the sale in the year after the drought, instead of the year of the sale. You can do this if **all** of the following apply:

- Your main business is farming.
- You can show that you sold the livestock only because of the drought.
- Your area qualified for Federal aid.

## Information Returns

If you received information returns (Forms 1099 or CCC-182) showing amounts paid to you, first determine if the amounts are to be included with farm income. Then, use the following chart to determine where to report the income on Schedule F. Include the Form 1099 or CCC-182 amounts with any other income reported on that line.

Information return	Where to report
Form 1099-PATR . . . . .	Line 5a
Form 1099-A . . . . .	Line 7b
Form 1099-MISC (for crop insurance) . . . . .	Line 8a
Forms 1099-G or CCC-182 (for disaster payments) . . . . .	Line 8a
Forms 1099-G or CCC-182 (for other agricultural program payments) . . . . .	Line 6a

You may also receive **Form 1099-MISC** for other types of income. In this case, report it on whichever line best describes the income. For example, if you received a Form 1099-MISC for custom farming work, include this amount on line 9, "Custom hire (machine work) income."

## Lines 1 and 2

On line 1 show amounts received from sales of livestock and other items bought for resale. On line 2 show the cost or other basis of the livestock and other items you actually sold.

## Line 4

Show amounts received from sales of livestock, produce, grains, and other products you raised.

## Lines 5a and 5b

If you received distributions from a cooperative in 1991, you should receive **Form 1099-PATR**. On line 5a show your total distributions from cooperatives. This includes patronage dividends, nonpatronage distributions, per-unit retain allocations, and redemption of nonqualified notices and per-unit retain allocations.

Show patronage dividends (distributions) 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 received from a marketing cooperative. If you received per-unit retains in cash, show the amount of cash. If you received qualified per-unit retain certificates, show the stated dollar amount of the certificate.

Do not include as income on line 5b patronage dividends from buying personal or family items, capital assets, or depreciable assets. Enter these amounts on line 5a only. 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.

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## Lines 6a and 6b

Enter on line 6a the TOTAL of the following amounts. These are government payments you received, usually reported to you on **Form 1099-G**. You may also receive Form CCC-182 from the Department of Agriculture showing the amounts and types of payments made to you.

- Price support payments.
- Diversion payments.
- Cost-share payments (sight drafts).
- Payments in the form of materials (such as fertilizer or lime) or services (such as grading or building dams).
- Face value of commodity credit certificates (often called "generic" or "PIK" certificates).

On line 6b report only the taxable amount. For example, if you qualify to exclude payments received under certain cost-sharing conservation programs (see Pub. 225), do not include these payments on line 6b.

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## Lines 7a through 7c

**Commodity Credit Corporation (CCC) Loans.** Generally, you do not report CCC loan proceeds as income. However, if you pledge part or all of your production to secure a CCC loan, you may elect to report the loan proceeds as income in the year you receive them, instead of the year you sell the crop. If you make this election (or made the election in a prior year), report loan proceeds you received in 1991 on line 7a and attach a statement to your return showing the details of the loan(s).

If you made the election in a prior year to report loan proceeds as income, be sure you checked the "Yes" box on line E. Otherwise check "No." See the instructions for line E.

**What If I Forfeited a CCC Loan?** Include the full amount forfeited on line 7b, even if you reported the loan proceeds as income.

If you **did not** elect to report the loan proceeds as income, also include the forfeited amount on line 7c.

If you did elect to report the loan proceeds as income, you generally will not have an entry on line 7c. But if the amount forfeited is different from your basis in the commodity, you may have an entry on line 7c.

**What If I Repaid a CCC Loan With CCC Certificates?** Include on line 7b the amount of any CCC loan you repaid with certificates, even if you reported the loan proceeds as income.

If you **did not** elect to report the CCC loan proceeds as income, include on line 7c the amount of the loan you repaid with the certificates minus your basis in those certificates. Your basis in certificates is the face value of the certificates you included as income, or the amount you paid for them.

If you elected to report the loan proceeds as income, do not include on line 7c the amount of the loan you repaid with the certificates.

For more information on the tax consequences of electing to report CCC loan proceeds as income, forfeiting CCC loans, and repaying CCC loans with certificates, see Pub. 225.

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## Lines 8a through 8d

In general, you must report crop insurance proceeds in the year you receive them. Federal crop disaster payments are treated as crop insurance proceeds. However, if 1991 was the year of damage, you may elect to include certain proceeds in income for 1992. To make this election, check the box on line 8c and attach a statement to your return. See Pub. 225 for a description of the proceeds for which an election may be made and for what you must include in your statement.

Generally, if you elect to defer any eligible crop insurance proceeds, you must defer all such crop insurance proceeds (including Federal disaster payments).

Enter on line 8a the TOTAL crop insurance proceeds you received in 1991, even if you elect to include them in income for 1992.

Enter on line 8b the taxable amount of the proceeds you received in 1991. Do not include proceeds you elect to include in income for 1992.

Enter on line 8d the amount, if any, of crop insurance proceeds you received in 1990 and elected to include in income for 1991.

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## Line 9

Enter on this line the income you received for custom hire (machine work).

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## Line 10

Use this line to report income not shown on lines 1 through 9. For example, include the following income items on line 10:

- Illegal Federal irrigation subsidies, see Pub. 225.
- Bartering income.
- Income from discharge of indebtedness. Generally, if a debt is canceled or forgiven, you must include the canceled amount in income. However, certain solvent farmers may exclude from income discharged qualified farm indebtedness. For information on whether you must include in income any discharge of indebtedness, see Pub. 225.
- State gasoline or fuel tax refund you got in 1991.
- The amount of credit for Federal tax on fuels claimed on your 1990 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 10. 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 occurred. 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 it on **Form 6781**.

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## Part II. Farm Expenses

**Note:** Certain costs must be capitalized if you produced real or tangible personal property or acquired property held for resale. Special rules apply to the capitalization of interest and certain farm costs. See the instructions for line G for more details.

Do not reduce your deductions on lines 12 through 35e by the preproductive period expenses you are required to capitalize. Instead, enter the total amount capitalized in parentheses on line 35f. See **Preproductive Period Expenses** under the instructions for lines 35a through 35f for more details.

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.

If you were repaid for any part of an expense, you must subtract the amount you were repaid from the deduction.

**Prepaid Farming Expenses.** Generally, if you use the cash method of accounting and your prepaid expenses are more than 50% of your other deductible farming expenses, your expenses for feed, seed, fertilizer, and other similar farm supplies are deductible only in the year that you actually use them. The cost of poultry bought for use in the business must be spread over 12 months or the useful life of the poultry, whichever is less. The cost of poultry bought for resale is deductible in the year the poultry is sold or otherwise disposed of. For an exception to this rule and additional information on prepaid expenses, see Pub. 225.

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## Line 13

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 did not own the vehicle or if you used more than one vehicle simultaneously in your business (such as in fleet operations).

If you deduct actual costs, include on line 13 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc. Show depreciation on line 17 and rent or lease payments on line 27a.

For 1991, the standard mileage rate is 27½ cents for each mile of business use. Add to this amount your parking fees and tolls.

For more details, get **Pub. 917**, Business Use of a Car.

**Note:** If you claim any car or truck expenses (actual costs or the standard mileage rate), you must complete Part V of Form 4562.

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## Line 15

Amounts you spent to conserve soil or water, or to prevent erosion of your land can be deducted only if the expenses are consistent with a conservation plan approved by the Soil Conservation Service (SCS) of the Department of Agriculture for the area in which

your land is located. If no plan exists, the expenses must be consistent with a plan of a comparable state agency. You must attach **Form 8645**, Soil and Water Conservation Plan Certification, to your return if you claim this deduction.

Do not deduct expenses you pay or incur to drain or fill wetlands or to prepare land for center pivot irrigation systems.

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, carry the excess over to following years. Attach a copy of the original Form 8645 to your return for each carryover year you claim the deduction.

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## Line 16

Enter amounts paid for custom hire or machine work (the machine operator furnished the equipment). Do not include amounts paid for rental or lease of equipment that you operated yourself; report those amounts on line 27a.

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## Line 17

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 Internal Revenue Code section 179 to expense a portion of the cost of certain tangible property you bought in 1991 for use in your business.

See the instructions for **Schedule C** (Form 1040), line 13, for more details, including when you must complete and attach **Form 4562**.

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## Line 18

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 26. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs.

Do not include on line 18 any contributions you made on your behalf as a self-employed person to an accident and health plan or for group-term life insurance. You may be able to deduct on Form 1040, line 26, part of the amount you paid for health insurance on behalf of yourself, your spouse, and dependents, even if you do not itemize your deductions. See the instructions for that line for more details.

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## Line 19

Generally, you cannot currently deduct expenses for feed to be consumed by your livestock in a later tax year. See **Prepaid Farming Expenses**, earlier.

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## Line 21

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.

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## Line 23

Deduct premiums paid for farm business insurance on line 23. Deduct on line 18 amounts paid for employee accident and health insurance.

Do not deduct amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability.

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## Lines 24a and 24b

**Interest Allocation Rules.** The tax treatment of interest expense differs depending on its type. For example, personal interest, home mortgage interest, and investment interest are all treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted on the correct line of your return and gets the right tax treatment. These rules could affect how much interest you are allowed to deduct on Schedule F.

Generally, you allocate interest expense by tracing how the proceeds of the loan are used. Get **Pub. 535**, Business Expenses, for details.

If you paid interest on a debt secured by your main home, and any of the proceeds from that debt were used in your farming business, see Pub. 535 to figure the amount that is deductible on Schedule F.

If you have a mortgage on real property used in your farming business (other than your main home), enter on line 24a the interest you paid for 1991 to banks or other financial institutions for which you received a **Form 1098**, Mortgage Interest Statement.

**Note:** *If the recipient was not a financial institution or you did not receive a Form 1098 from the recipient, report your mortgage interest on line 24b.*

If you paid \$600 or more of interest on this mortgage, the recipient should send you a Form 1098 or similar statement showing the total interest received from you during 1991. This statement must be sent to you by January 31, 1992. If you paid more mortgage interest to financial institutions than is shown on Form 1098, or similar statement, see Pub. 535 to find out if you can deduct the additional interest. If you can, enter the amount on line 24a. Attach a statement to your return explaining the difference and write "See attached" in the left margin next to line 24a.

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, report your share of the interest on line 24b. 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 24b, write "See attached."

On line 24b, enter the interest on other loans related to this farm. Do not deduct interest you prepaid in 1991 for later years; include only the part that applies to 1991.

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## Line 25

Enter amounts you paid for farm labor minus the amount of any jobs credit you claimed

on **Form 5884**. Do not include amounts paid to yourself.

Count the cost of boarding farm labor but not the value of any products they used from the farm. Count only what you paid household help to care for farm laborers.

**Caution:** *If you provided taxable fringe benefits to your employees, such as personal use of a car, do not include in farm labor the amounts you depreciated or deducted elsewhere.*

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## Line 26

Enter your deduction for contributions to employee pension, profit-sharing, or annuity plans. If the plan included you as a self-employed person, see the instructions for **Schedule C** (Form 1040), line 19.

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## Lines 27a and 27b

If you rented or leased vehicles, machinery, or equipment, enter on line 27a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an **inclusion amount**. For details, see the instructions for **Schedule C** (Form 1040), line 20a.

Enter on line 27b amounts paid to rent or lease other property such as pasture or farm land.

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## Line 28

Enter what you paid for repairs and maintenance of farm buildings, machinery, and equipment. You can also include what you paid for tools of short life or minimal cost, such as shovels and rakes.

**Do not** deduct repairs or maintenance on your home.

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## Line 32

You may deduct the following taxes:

- Real estate and personal property taxes on farm business assets.
- Social security and Medicare taxes you paid to match what you are required to withhold from farm employees' wages and any Federal unemployment tax paid. To deduct one-half of your self-employment tax, see the instructions for Form 1040, line 25.
- Federal highway use tax.

**Do not deduct:**

- Federal income taxes.
- Estate and gift taxes.
- Taxes assessed for improvements, such as paving and sewers.
- Taxes on your home or personal property.
- State and local sales taxes (treat them as part of the cost of the property).
- Other taxes not related to the farm business.

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## Line 33

Enter what you paid for gas, electricity, water, etc., for business use on the farm. Do not include personal utilities.

You cannot deduct the base rate (including taxes) of the first telephone line into your residence, even if you use it for business.

See the instructions for **Schedule C** (Form 1040), line 25.

## Lines 35a through 35f

Include all ordinary and necessary farm expenses not deducted elsewhere on Schedule F, such as advertising, office supplies, etc.

**Amortization.** You can amortize qualifying forestation and reforestation costs over an 84-month period. You can also amortize certain business startup costs over a period of at least 60 months. For more details, get Pub. 535. For amortization that begins in 1991, you must complete and attach **Form 4562**.

**At-Risk Loss Deduction.** Any loss from this activity that was not allowed as a deduction last year because of the at-risk rules is treated as a deduction allocable to this activity in 1991.

**Bad Debts.** Cash method taxpayers can deduct bad debts only if the amount was previously included in income. See the instructions for **Schedule C** (Form 1040), line 9.

**Travel, Meals, and Entertainment.** Generally, you can deduct expenses for farm business travel and 80% of your business meals and entertainment. But there are exceptions and limitations. See the instructions for **Schedule C** (Form 1040), lines 24a through 24c.

**Preproductive Period Expenses.** Enter in parentheses on line 35f, preproductive period expenses that are capitalized. If you had preproductive period expenses in 1991 and you checked the "No" box on line G of Schedule F because you decided to capitalize these expenses, you **MUST** enter the total of these expenses in parentheses on line 35f and write "263A" in the space to the left of the total.

You should not have a "263A" entry on line 35f if **any** of the following applies:

- You checked the "No" box on line G, but did not have any preproductive period expenses in 1991.
- You made the election on line G to currently deduct your preproductive period expenses (you checked the "Yes" box).
- You checked the "Does Not Apply" box on line G.

If you entered an amount in parentheses on line 35f because you have preproductive period expenses you are capitalizing, subtract the amount on line 35f from the total of lines 12 through 35e. Enter the result on line 36.

For more information, see the instructions for line G and Pub. 225.

## Line 37

If you have a loss, the amount of loss you can deduct this year may be limited. Go on to line 38 before entering your loss on line 37. If you answered "No" to Question F on Schedule F, also see the instructions for **Form 8582**. Enter the net profit or **deductible** loss here and on Form 1040, line 19, and Schedule SE, line 1 (or Form 1041, line 6). Partnerships should stop here and enter the profit or loss on this line and on Form 1065, line 5.

## Line 38

**At-Risk Rules.** Generally, if you have (a) a loss from a farming activity, and (b) amounts in the activity for which you are **not at risk**, you will have to complete **Form 6198**, At-Risk Limitations, to figure your allowable loss.

The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the activity.

Check **Box 38b** if you have amounts for which you are not at risk in this activity, such as the following:

- Nonrecourse loans used to finance the activity, to acquire property used in the activity, or to acquire the activity, that are not secured by your own property (other than property used in the activity). (However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property.)
- Cash, property, or borrowed amounts used in the activity (or contributed to the activity, or used to acquire the activity) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).
- Amounts borrowed for use in the activity from a person who has an interest in the activity, other than as a creditor, or who is related, under Internal Revenue Code section 465(b)(3), to a person (other than you) having such an interest.

If all amounts are at risk in this business, check **Box 38a** and enter your loss on line 37. But if you answered "No" to Question F, you may need to complete **Form 8582** to figure your allowable loss to enter on line 37. See the Instructions for Form 8582 for more details.

If you checked **Box 38b**, get Form 6198 to determine the amount of your deductible loss and enter that amount on line 37. But if you answered "No" to Question F, your loss may be further limited. See the Instructions for Form 8582. If your at-risk amount is zero or less, enter zero on line 37. Be sure to attach Form 6198 to your return. If you checked Box 38b and you fail to attach Form 6198, processing of your tax return may be delayed.

Any loss from this activity not allowed for 1991 because of the at-risk rules is treated as a deduction allocable to the activity in 1992.

For more details, get **Pub. 925**, Passive Activity and At-Risk Rules. 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 **Pub. 538**, Accounting Periods and Methods, for exceptions, inventory methods, how to change methods of accounting, and

for rules that require certain costs to be capitalized or included in inventory.

## Line 39

Enter the amount you received from the sales of livestock, produce, grains, and other products you raised.

## Lines 40a through 42c

See the instructions for Part I, lines 5a through 7c.

## Lines 44 and 45

See the instructions for Part I, lines 9 and 10.







# Section 9.

## Other Information

### How To Get Forms and Publications

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. Also see the list of related publications.

Other publications and forms referred to in the instructions are also available without cost from the Distribution Center for your state (see the next page). See **Pub. 910** for a complete list of available publications.

#### Forms

You can order the following items from the IRS or get them at participating banks, post offices, or libraries.

##### Form 1040

Instructions for Form 1040 and Schedules **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 EIC** for the earned income credit  
**Form 1040A**

Instructions for Form 1040A and Schedules **Schedule 1** for Form 1040A filers to report interest and dividend income

**Schedule 2** for Form 1040A filers to report child and dependent care expenses

##### Form 1040EZ

Instructions for Form 1040EZ

You can photocopy the following items (as well as those listed above) at participating libraries or order them from the IRS:

**Schedule 3**, Credit for the Elderly or the Disabled for Form 1040A Filers

**Schedule C**, Profit or Loss From Business

**Schedule D**, Capital Gains and Losses

**Schedule E**, Supplemental Income and Loss

**Schedule F**, Profit or Loss From Farming

**Schedule R**, Credit for the Elderly or the Disabled

**Schedule SE**, Self-Employment Tax

**Form 1040-ES**, Estimated Tax for Individuals

**Form 1040X**, Amended U.S. Individual Income Tax Return

**Form 2106**, Employee Business Expenses

**Form 2119**, Sale of Your Home

**Form 2210**, Underpayment of Estimated Tax by Individuals and Fiduciaries

**Form 2441**, Child and Dependent Care Expenses

**Form 3468**, Investment Credit

**Form 3903**, Moving Expenses

**Form 4562**, Depreciation and Amortization

**Form 4868**, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return

**Form 8283**, Noncash Charitable Contributions

**Form 8332**, Release of Claim to Exemption for Child of Divorced or Separated Parents

**Form 8582**, Passive Activity Loss Limitations

**Form 8822**, Change of Address

**334** Tax Guide for Small Business

**463** Travel, Entertainment, and Gift Expenses

**501** Exemptions, Standard Deduction, and Filing Information

**502** Medical and Dental Expenses

**504** Tax Information for Divorced or Separated Individuals

**505** Tax Withholding and Estimated Tax

**508** Educational Expenses

**521** Moving Expenses

**523** Tax Information on Selling Your Home

**524** Credit for the Elderly or the Disabled

**525** Taxable and Nontaxable Income

**527** Residential Rental Property (Including Rental of Vacation Houses)

**529** Miscellaneous Deductions

**553** Highlights of 1991 Tax Changes

**554** Tax Information for Older Americans

**590** Individual Retirement Arrangements (IRAs)

**596** Earned Income Credit

**910** Guide to Free Tax Services (includes a list of publications)

**917** Business Use of a Car

**929** Tax Rules for Children and Dependents

#### Publications

The following publications can be ordered from the IRS, or you can read or photocopy them at participating libraries.

**1** Your Rights as a Taxpayer

**17** Your Federal Income Tax

### Circle Desired Forms, Instructions, and Publications

We will send you two copies of each form and one copy of each publication or set of instructions 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.**

To help reduce waste, please order only the items you think you will need to prepare your return. Use the blank spaces to order items not listed. If you need more space, attach a separate sheet of paper listing the additional items you need.

Detach at this line

#### Order Blank

1040	Schedule F (1040)	Schedule 3 (1040A) & instructions	2210 & instructions	8582 & instructions	Pub. 508	Pub. 590
Instructions for 1040 & Schedules	Schedule R (1040) & instructions	1040EZ	2441 & instructions	8822	Pub. 521	Pub. 596
Schedules A&B (1040)	Schedule SE (1040)	Instructions for 1040EZ	3903 & instructions	Pub. 1	Pub. 523	Pub. 910
Schedule C (1040)	1040A	1040-ES (1992)	4562 & instructions	Pub. 17	Pub. 525	Pub. 917
Schedule D (1040)	Instructions for 1040A & Schedules	1040X & instructions	4868	Pub. 334	Pub. 527	Pub. 929
Schedule E (1040)	Schedule 1 (1040A)	2106 & instructions	8283 & instructions	Pub. 463	Pub. 529	
Schedule EIC (1040A or 1040)	Schedule 2 (1040A)	2119 & instructions	8332	Pub. 505	Pub. 553	

# Where to Send Your Order for Free Forms and Publications

## Distribution Centers

If you live in:	Send to:	For other locations, see below:
Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming	Western Area Distribution Center Rancho Cordova, CA 95743-0001	<b>Foreign Addresses—</b> Taxpayers with mailing addresses in foreign countries should send this order blank to either: Eastern Area Distribution Center, P.O. Box 85074, Richmond, VA 23261-5074; or Western Area Distribution Center, Rancho Cordova, CA 95743-0001, whichever is closer. Send letter requests for other forms and publications to: Eastern Area Distribution Center, P.O. Box 85074, Richmond, VA 23261-5074.  <b>Puerto Rico—</b> Eastern Area Distribution Center, P.O. Box 85074, Richmond, VA 23261-5074.  <b>Virgin Islands—</b> V.I. Bureau of Internal Revenue, Lockharts Garden No. 1A, Charlotte Amalie, St. Thomas, VI 00802
Alabama, Arkansas, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, South Dakota, Tennessee, Texas, Wisconsin	Central Area Distribution Center P.O. Box 9903 Bloomington, IL 61799	
Connecticut, Delaware, District of Columbia, Florida, Georgia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Vermont, Virginia, West Virginia	Eastern Area Distribution Center P.O. Box 85074 Richmond, VA 23261-5074	

## Label

Print or type your name and address on the label below. This will be the label used to return material to you. Enclose the order blank in your own envelope and address your envelope to the IRS address shown on this page for your state. Please allow 2 weeks to receive your order.

## 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, Schedules A&B, and EIC, and Schedules 1 and 2.

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 Detach at this line

\_\_\_\_\_  
 Name

\_\_\_\_\_  
 Number, street, and apt. number

\_\_\_\_\_  
 City, town or post office, state, and ZIP code

# Call the IRS With Your Tax Question

If the instructions to the tax forms and our free tax publications have not answered your question, please call us TOLL-FREE. "Toll-Free" is a telephone call for which you pay only local charges.

## Choosing The Right Number

Use only the number listed on this page for your area. Use a local city number only if it is not a long distance call for you. **Please do not dial "1-800" when using a local city number.** However, when dialing from an area that does not have a local number, be sure to dial "1-800" before calling the toll-free number.

## Before You Call

Remember that good communication is a two-way process. IRS representatives care about the quality of the service we provide to you, our customer. You can help us provide accurate, complete answers to your tax questions by having the following information available:

1. The tax form, schedule, or notice to which your question relates;
2. The facts about your particular situation (the answer to the same question often varies from one taxpayer to another because of differences in their age, income, whether they can be claimed as a dependent, etc.);
3. The name of any IRS publication or other source of information that you used to look for the answer.

## Before You Hang Up

If you do not fully understand the answer you receive, or you feel our representative may not fully understand your question, our representative needs to know this. The representative will be happy to take the additional time required to be sure he or she has answered your question fully and in the manner that is most helpful to you.

By law, you are responsible for paying your fair share of Federal income tax. If we should make an error in answering your question, you are still responsible for the payment of the correct tax. Should this occur, however, you will not be charged any penalty. To make sure that IRS representatives give accurate and courteous answers, a second IRS representative sometimes listens in on telephone calls. No record is kept of any taxpayer's identity.

## Toll-free tax help telephone numbers

**Alabama**  
1-800-829-1040

**Alaska**  
Anchorage, 561-7484  
Elsewhere, 1-800-829-1040

**Arizona**  
Phoenix, 257-1233  
Elsewhere, 1-800-829-1040

**Arkansas**  
1-800-829-1040

**California**  
Oakland, 839-1040  
San Francisco, 839-1040  
Elsewhere, 1-800-829-1040

**Colorado**  
Denver, 825-7041  
Elsewhere, 1-800-829-1040

**Connecticut**  
1-800-829-1040

**Delaware**  
1-800-829-1040

**District of Columbia**  
1-800-829-1040

**Florida**  
Jacksonville, 354-1760  
Elsewhere, 1-800-829-1040

**Georgia**  
Atlanta, 522-0050  
Elsewhere, 1-800-829-1040

**Hawaii**  
Oahu, 541-1040  
Elsewhere, 1-800-829-1040

**Idaho**  
1-800-829-1040

**Illinois**  
Chicago, 435-1040  
In area code 708,  
1-312-435-1040  
Elsewhere, 1-800-829-1040

**Indiana**  
Indianapolis, 226-5477  
Elsewhere, 1-800-829-1040

**Iowa**  
Des Moines, 283-0523  
Elsewhere, 1-800-829-1040

**Kansas**  
1-800-829-1040

**Kentucky**  
1-800-829-1040

**Louisiana**  
1-800-829-1040

**Maine**  
1-800-829-1040

**Maryland**  
Baltimore, 962-2590  
Elsewhere, 1-800-829-1040

**Massachusetts**  
Boston, 523-1040  
Elsewhere, 1-800-829-1040

**Michigan**  
Detroit, 237-0800  
Elsewhere, 1-800-829-1040

**Minnesota**  
Minneapolis, 644-7515  
St. Paul, 644-7515  
Elsewhere, 1-800-829-1040

**Mississippi**  
1-800-829-1040

**Missouri**  
St. Louis, 342-1040  
Elsewhere, 1-800-829-1040

**Montana**  
1-800-829-1040

**Nebraska**  
Omaha, 422-1500  
Elsewhere, 1-800-829-1040

**Nevada**  
1-800-829-1040

**New Hampshire**  
1-800-829-1040

**New Jersey**  
1-800-829-1040

**New Mexico**  
1-800-829-1040

**New York**  
Bronx, 732-0100  
Brooklyn, 596-3770  
Buffalo, 685-5432  
Manhattan, 732-0100  
Nassau, 222-1131  
Queens, 596-3770  
Staten Island, 596-3770  
Suffolk, 724-5000  
Elsewhere, 1-800-829-1040

**North Carolina**  
1-800-829-1040

**North Dakota**  
1-800-829-1040

**Ohio**  
Cincinnati, 621-6281  
Cleveland, 522-3000  
Elsewhere, 1-800-829-1040

**Oklahoma**  
1-800-829-1040

**Oregon**  
Portland, 221-3960  
Elsewhere, 1-800-829-1040

**Pennsylvania**  
Philadelphia, 574-9900  
Pittsburgh, 281-0112  
Elsewhere, 1-800-829-1040

**Puerto Rico**  
San Juan Metro Area,  
766-5040  
Isla, 766-5549

**Rhode Island**  
1-800-829-1040

**South Carolina**  
1-800-829-1040

**South Dakota**  
1-800-829-1040

**Tennessee**  
Nashville, 259-4601  
Elsewhere, 1-800-829-1040

**Texas**  
Dallas, 742-2440  
Houston, 965-0440  
Elsewhere, 1-800-829-1040

**Utah**  
1-800-829-1040

**Vermont**  
1-800-829-1040

**Virginia**  
Richmond, 649-2361  
Elsewhere, 1-800-829-1040

**Washington**  
Seattle, 442-1040  
Elsewhere, 1-800-829-1040

**West Virginia**  
1-800-829-1040

**Wisconsin**  
Milwaukee, 271-3780  
Elsewhere, 1-800-829-1040

**Wyoming**  
1-800-829-1040

## Phone Help for Hearing-Impaired People With TDD Equipment.

All areas in U.S., including  
Alaska, Hawaii, Virgin  
Islands, and Puerto Rico,  
1-800-829-4059

**Hours of Operation:**  
8:00 A.M. to 6:30 P.M. EST  
(Jan. 1–April 4)  
9:00 A.M. to 7:30 P.M. EDT  
(April 5–April 15)  
9:00 A.M. to 5:30 P.M. EDT  
(April 16–Oct. 24)  
8:00 A.M. to 4:30 P.M. EST  
(Oct. 25–Dec. 31)

# What Is Tele-Tax?

*Recorded Tax Information* includes about 140 topics of tax information that answer many Federal tax questions. You can listen to up to three topics on each call you make.

*Automated Refund Information* is available so you can check the status of your refund.

## How Do I Use Tele-Tax?

### Choosing The Right Number

Use only the number listed on this page for your area. Use a local city number only if it is not a long distance call for you. **Please do not dial "1-800" when using a local city number.** However, when dialing from an area that does not have a local number, be sure to dial "1-800" before calling the toll-free number.

### Recorded Tax Information

Topic numbers are effective January 1, 1992. A complete list of these topics is on the next page.

Touch-tone service is available 24 hours a day, 7 days a week.

Rotary or pulse dial service is available Monday through Friday during regular office hours.

Select, by number, the topic you want to hear. **For the directory of topics, listen to topic no. 323.**

Have paper and pencil handy to take notes.

Call the appropriate phone number listed on this page.

- If you have a touch-tone phone, immediately follow the recorded instructions, or
- If you have a rotary or pulse dial phone, wait for further recorded instructions.

### Automated Refund Information

Be sure to 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.

Then, call the appropriate phone number listed on this page and follow the recorded instructions.

The IRS updates refund information every 7 days. If you call to find out about the status of your refund and do not receive a refund mailing date, please wait 7 days before calling back.

- Touch-tone service is available Monday through Friday from 7:00 A.M. to 11:30 P.M. (Hours may vary in your area.)

- Rotary or pulse dial service is available Monday through Friday during regular office hours.

### Toll-free Tele-Tax telephone numbers

**Alabama**  
1-800-829-4477

**Alaska**  
1-800-829-4477

**Arizona**  
Phoenix, 252-4909  
Elsewhere, 1-800-829-4477

**Arkansas**  
1-800-829-4477

**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,  
1-800-829-4032

Los Angeles, 617-3177  
Oakland, 839-4245  
Elsewhere, 1-800-829-4477

**Colorado**  
Denver, 592-1118  
Elsewhere, 1-800-829-4477

**Connecticut**  
1-800-829-4477

**Delaware**  
1-800-829-4477

**District of Columbia**  
882-1040

**Florida**  
1-800-829-4477

**Georgia**  
Atlanta, 331-6572  
Elsewhere, 1-800-829-4477

**Hawaii**  
1-800-829-4477

**Idaho**  
1-800-829-4477

**Illinois**  
Chicago, 886-9614  
In area code 708,  
1-312-886-9614  
Springfield, 789-0489  
Elsewhere, 1-800-829-4477

**Indiana**  
Indianapolis, 631-1010  
Elsewhere, 1-800-829-4477

**Iowa**  
Des Moines, 284-7454  
Elsewhere, 1-800-829-4477

**Kansas**  
1-800-829-4477

**Kentucky**  
1-800-829-4477

**Louisiana**  
1-800-829-4477

**Maine**  
1-800-829-4477

**Maryland**  
Baltimore, 466-1040  
Elsewhere, 1-800-829-4477

**Massachusetts**  
Boston, 523-8602  
Elsewhere, 1-800-829-4477

**Michigan**  
Detroit, 961-4282  
Elsewhere, 1-800-829-4477

**Minnesota**  
St. Paul, 644-7748  
Elsewhere, 1-800-829-4477

**Mississippi**  
1-800-829-4477

**Missouri**  
St. Louis, 241-4700  
Elsewhere, 1-800-829-4477

**Montana**  
1-800-829-4477

**Nebraska**  
Omaha, 221-3324  
Elsewhere, 1-800-829-4477

**Nevada**  
1-800-829-4477

**New Hampshire**  
1-800-829-4477

**New Jersey**  
1-800-829-4477

**New Mexico**  
1-800-829-4477

**New York**  
Bronx, 406-4080  
Brooklyn, 858-4461  
Buffalo, 685-5533  
Manhattan, 406-4080  
Queens, 858-4461  
Staten Island, 858-4461  
Elsewhere, 1-800-829-4477

**North Carolina**  
1-800-829-4477

**North Dakota**  
1-800-829-4477

**Ohio**  
Cincinnati, 421-0329  
Cleveland, 522-3037  
Elsewhere, 1-800-829-4477

**Oklahoma**  
1-800-829-4477

**Oregon**  
Portland, 294-5363  
Elsewhere, 1-800-829-4477

**Pennsylvania**  
Philadelphia, 627-1040  
Pittsburgh, 261-1040  
Elsewhere, 1-800-829-4477

**Puerto Rico**  
1-800-829-4477

**Rhode Island**  
1-800-829-4477

**South Carolina**  
1-800-829-4477

**South Dakota**  
1-800-829-4477

**Tennessee**  
Nashville, 242-1541  
Elsewhere, 1-800-829-4477

**Texas**  
Dallas, 767-1792  
Houston, 850-8801  
Elsewhere, 1-800-829-4477

**Utah**  
1-800-829-4477

**Vermont**  
1-800-829-4477

**Virginia**  
Richmond, 783-1569  
Elsewhere, 1-800-829-4477

**Washington**  
Seattle, 343-7221  
Elsewhere, 1-800-829-4477

**West Virginia**  
1-800-829-4477

**Wisconsin**  
Milwaukee, 273-8100  
Elsewhere, 1-800-829-4477

**Wyoming**  
1-800-829-4477

# Tele-Tax Topic Numbers and Subjects

Topic No.	Subject
	<b>IRS Procedures and Services</b>
101	IRS help available—Volunteer tax assistance programs, toll-free telephone, walk-in assistance, and outreach program
102	Tax assistance for individuals with disabilities and the hearing impaired
103	Small Business Tax Education Program (STEP)—Tax help for small businesses
104	Problem Resolution Program—Help for problem situations
105	Public libraries—Tax information tapes and reproducible tax forms
106	Examination procedures and how to prepare for an audit
107	The collection process
108	Tax fraud—How to report
109	Types of organizations that qualify for tax-exempt status
110	Organizations—How to apply for exempt status
111	Examination appeal rights
112	Electronic filing
113	Special Enrollment Examination to practice before IRS
114	Power of attorney information
115	Change of address—How to notify IRS
911	Hardship assistance applications
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