

**RETEST**  
**For Use in Preparing Tax Year 2002 Returns**

# VOLUNTEER ASSISTOR'S GUIDE



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**FOR USE IN IRS VOLUNTEER PROGRAMS**  
**VITA Volunteer Income Tax Assistance**  
**TCE Tax Counseling for the Elderly**

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The purpose of the **VITA** and **TCE** Programs is to provide free tax assistance to taxpayers.  
Before beginning the retest, please read and sign the Volunteer Agreement on page ii.

# RETEST Answer Sheet

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Print your name and address neatly on the lines to the left so that we may return your results promptly.

**Instructions:** Record all of your answers on this sheet and return to your **sponsor or local IRS SPEC Office** for grading. Your grader will return this sheet to you and retain the Volunteer Agreement/Certification sheet for documentation of certification. **Be sure to include your completed Volunteer Agreement/Certification with this sheet.**

				Pass	Fail
Part A – Basic	1. _____	10. _____	19. _____		
	2. _____	11. _____	20. _____		
	3. _____	12. _____	21. _____		
	4. _____	13. _____	22. _____		
	5. _____	14. _____	23. _____		
	6. _____	15. _____	24. _____		
	7. _____	16. _____	25. _____		
	8. _____	17. _____	26. _____		
	9. _____	18. _____			
Part B – Wage Earner	1. _____	8. _____	15. _____		
	2. _____	9. _____	16. _____		
	3. _____	10. _____	17. _____		
	4. _____	11. _____	18. _____		
	5. _____	12. _____	19. _____		
	6. _____	13. _____			
	7. _____	14. _____			
Part C – Pension Earner	1. _____	6. _____	11. _____		
	2. _____	7. _____	12. _____		
	3. _____	8. _____	13. _____		
	4. _____	9. _____	14. _____		
	5. _____	10. _____	15. _____		

	<p>You are certified to prepare the following returns:</p> <p>Wage Earner _____ Pension Earner _____</p>
	<p>You are <u>not</u> certified to prepare returns for the part(s) you failed. If you are not certified to prepare any returns, we encourage you to volunteer in other ways. Please talk to your site coordinator.</p>

# Volunteer Agreement

The purpose of the VITA and TCE Program is to provide **free** tax assistance to taxpayers.

Before beginning the retest, please read the statement below and complete all lines. If you have questions regarding the meaning of the statement, please check with your instructor or representative of the local IRS or sponsoring organization.

I understand I cannot accept payment or donations from the public for my services as a volunteer, nor can I solicit business from taxpayers I assist.

\_\_\_\_\_

Print Name

\_\_\_\_\_

Signature Date

(      )

\_\_\_\_\_

Home Street Address

\_\_\_\_\_

Daytime Telephone Number

\_\_\_\_\_

City, State, Zip Code

**Return this sheet along with your answer sheet only (unless otherwise instructed) to your sponsor or local IRS SPEC office.**

## Certification

IRS or Sponsor use only:				
	Correct number of responses needed	Number Correct	Pass	Fail
Part A — Basic	18 out of 26			
Part B — Wage Earner	13 out of 19			
Part C — Pension Earner	11 out of 15			

\_\_\_\_\_

Certified By Date

This sheet is to be retained by your sponsor or the local IRS SPEC Office.

# The Volunteer Assistor's Retest

## Introduction

This retest is an open-book test. You may use your course book, Publication 17, or any other materials you will use as a volunteer. Please complete the retest on your own. Taking the retest in groups or with outside assistance could prove to be a disservice to the people you have volunteered to help. **Note:** *The course book should not be used as a reference source at your volunteer site.*

The three parts of the retest and the general criteria for passing the retest to become a certified volunteer assistor are:

- Part A — Basic                      Covers the general tax laws which apply to all taxpayers. This part of the test covers Lessons 1 through 7.  
You must answer 18 out of 26 questions correctly.
- Part B — Wage Earner            Covers credits and questions for the typical wage earner. This part of the test covers Lessons 8 through 11.  
You must answer 13 out of 19 questions correctly.
- Part C — Pension Earner        Covers credits and questions for the typical pension earner. This part of the test covers Lessons 12 through 15.  
You must answer 11 out of 15 questions correctly.

You must pass the Basic and Wage Earner sections to be certified to prepare wage earner type returns such as Forms 1040EZ, 1040A and simple Form 1040.

You must pass the Basic and Pension Earner sections to be certified to prepare pension type returns and the more complex Form 1040.

You must pass all parts (Basic, Wage Earner and Pension Earner) to be certified to prepare all returns authorized under the VITA/TCE program.

## What to do when you complete your retest:

After you have completed your retest, please transfer all answers to the tear-out Retest Answer Sheet located in the front of the booklet. **Forward the completed Retest Answer Sheet and the completed Volunteer Agreement/Certification Sheet only** to your sponsor, instructor or local IRS SPEC office **as directed** for grading. You will receive your answer sheet back with your results.

**Do not send your entire retest booklet unless otherwise directed.**

## Special Notes:

You, our volunteers, are our front line ambassadors. You provide an invaluable service to your community and help to carry the mission of the Internal Revenue Service to the public. The Internal Revenue Service has set a goal to have 80% of all tax returns filed electronically by the year 2007. To this goal, our training is moving toward a computer-based training and testing model.

**IRS e-file.** After completing the class on basic tax law, we urge you to learn how to electronically file (*e-file*) the returns you prepare. E-filing uses automation to quickly check for errors or missing information. Consequently, *e-file* returns have a higher accuracy rate than paper prepared returns. Other benefits of *e-filing* include:

- Confirmation that the tax return was received by the IRS.
- Refunds are generally issued within 7-10 days of acceptance by the IRS.
- The additional option of using direct debit of the taxpayer's bank account to pay a balance due.

Ask your instructor or site coordinator for information about our electronic filing classes.

**Note:** *All names, social security numbers, employer identification numbers, and routing numbers in this document are fictitious. If attempting to process any of the problems for e-file practice, consult your instructor or site coordinator on the manner in which these problems can be done.*

Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.

## Part A — Basic Section

In the following questions, determine if the taxpayer can claim a dependency exemption.

- a. Yes
- b. No

- A-1 Mary's Aunt Sarah, has no income and lived with Mary all year in Orlando, FL. Mary provided all of Sarah's support. Sarah is a U.S. citizen and single. Can Mary claim her Aunt Sarah as a dependent?
- A-2 Juan is a U.S. citizen. His mother is a widow and a citizen of Mexico. Juan is an only child and sends his mother \$500 a month which is her only means of support. Can Juan claim his mother as his dependent?
- A-3 Tyrone is 22 years old, single, and a full-time student at a local college. In 2002, he had a part time job and earned \$5,900, all of which he put into a savings account. Tyrone lives at home with his mother and is fully supported by her. Both Tyrone and his mother are U.S. citizens. Can Tyrone's mother claim him as a dependent on her 2002 tax return?

In the following questions determine the most appropriate filing status for each case.

- a. Single
- b. Married Filing Jointly
- c. Married Filing Separately
- d. Head of Household
- e. Qualifying Widow(er) with Dependent Child

- A-4 Matthew's wife passed away in January of 2002, leaving him to raise their 18 year old daughter, Mary. Matthew did not remarry before the end of the year. Matthew and his wife have always filed a joint return. In 2002, what is Matthew's filing status?
- A-5 Gordon's wife passed away in May 2001. Gordon's 19 year old daughter, Jennifer, graduated from high school in June 2001. Jennifer moved into her own apartment and took a full time job in March 2002. What is Gordon's filing status in 2002?
- A-6 If Gordon's daughter (see A-5) decided to stay with her father and attend college full-time during 2002. What is Gordon's filing status in 2002?
- A-7 Nicholas and Christine separated in June 2002. After separation, Christine continued to maintain a home for their 3 year old son. Christine does not want to file a joint return. What is the most advantageous filing status for Christine?

Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

**For questions A-8 through A-10, determine if the following individuals must or should file a return.**

- a. Must file**
- b. Should file**

- A-8 Mary is 63 years old and received \$9,600 in Social Security benefits. She decided to start a small business selling her handmade quilts. She is single and cannot be claimed as a dependent on anyone else's tax return. Her net proceeds from the business are \$1,200.
- A-9 Sara brings you her only Form W-2 which shows Box 1 wages of \$4,786 and Box 2 Federal Income Tax Withheld of \$0. Sara tells you she is 28 years of age and has two children ages 4 and 5. She tells you that her husband left her two years ago and she does not know where he can be found.
- A-10 David shows you his Form W-2. His Box 1 wages are \$7,283, Box 2 FITW is \$0, and Box 9 Advanced EIC payments is \$155.

**For questions A-11 through A-14, determine if the following taxpayers can take an IRA deduction (full or partial) on their 2002 tax return.**

- a. Yes**
- b. No**

- A-11 Carrie is married, both she and her spouse are covered by a pension plan at work and together they have a modified AGI of \$75,781.
- A-12 Loretta is widowed, age 75 and has a modified AGI of \$16,918. Her Form W-2 shows she is not covered by a pension plan.
- A-13 Frank and Lisa are filing a joint return. Lisa's Form W-2 shows she is covered by a pension plan and her Box 1 wages are \$64,444. Frank's Form W-2 shows he is not covered by a pension plan and his Box 1 wages are \$12,654. Their modified AGI is \$77,098.
- A-14 Ben separated from his wife on January 19, 2002, and will be filing as Married Filing Separately. Ben's Form W-2 shows that he is not covered by a pension plan, his wages are \$14,325 and you calculate his modified AGI to be \$11,055.

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

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- A-15 When completing a Schedule C-EZ, what is the Principal Business or Professional Activity code you would enter on Part I, Line A for a carpentry contractor? (Use the Business Codes in your Tax Forms Booklet Appendix.)
- a. 722300
  - b. 235500
  - c. 112900
  - d. 811120
  - e. None of the above

**For questions A-16 and A-17, answer true or false to the statements about the new Tuition and Fees Adjustment.**

- a. True**
- b. False**

A-16 A taxpayer using the Married Filing Separately filing status is not eligible for the adjustment.

A-17 A taxpayer can claim the lifetime learning credit and take the tuition and fees adjustment for the same student.

**For questions A-18 and A-19, answer true or false to the statements about the new Educator Expenses adjustment.**

- a. True**
- b. False**

A-18 A 1st grade teacher is an eligible educator.

A-19 Mary is a fulltime grade school teacher. Her husband is an accountant at a local business. Mary has \$750 of qualified expenses. Since she will be filing a joint return, she can claim a \$500 educator expense deduction.

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

**For questions A-20 and A-21, use the following information to complete Schedule C-EZ and Schedule SE.**

Bill does part-time furniture refinishing at a local repair shop as an independent contractor. For 2002, he had income of \$4,290 and spent \$1,949 for materials and supplies. He has no other expenses.

A-20 What is the figure on Schedule C-EZ Line 3, Net Profit?

- a. \$ 3,341
- b. \$ 2,351
- c. \$ 2,341
- d. \$ 2,439
- e. None of the above

A-21 What is the figure on Schedule SE Line 6, Deduction for one-half of self-employment tax?

- a. 0
- b. \$ 331
- c. \$ 260
- d. \$ 166
- e. None of the above

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

**SCHEDULE C-EZ  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

**Net Profit From Business**

(Sole Proprietorship)

▶ Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.  
▶ Attach to Form 1040 or 1041. ▶ See instructions on back.

OMB No. 1545-0074

**2002**

Attachment  
Sequence No. **09A**

Name of proprietor

Bill Green

Social security number (SSN)

000 00 3941

**Part I General Information**

**You May Use  
Schedule C-EZ  
Instead of  
Schedule C  
Only If You:**

- Had business expenses of \$2,500 or less.
- Use the cash method of accounting.
- Did not have an inventory at any time during the year.
- Did not have a net loss from your business.
- Had only one business as a sole proprietor.

**And You:**

- Had no employees during the year.
- Are not required to file **Form 4562**, Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, on page C-3 to find out if you must file.
- Do not deduct expenses for business use of your home.
- Do not have prior year unallowed passive activity losses from this business.

**A** Principal business or profession, including product or service  
Furniture Refinishing

**B** Enter code from pages C-7 & 8

▶ 8 | 1 | 1 | 4 | 2 | 0

**C** Business name. If no separate business name, leave blank.

**D** Employer ID number (EIN), if any

**E** Business address (including suite or room no.). Address not required if same as on Form 1040, page 1.

City, town or post office, state, and ZIP code

**Part II Figure Your Net Profit**

<b>1</b> <b>Gross receipts. Caution.</b> If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see <b>Statutory Employees</b> in the instructions for Schedule C, line 1, on page C-2 and check here . . . . . <input type="checkbox"/>	<b>1</b>		
<b>2</b> <b>Total expenses.</b> If more than \$2,500, you <b>must</b> use Schedule C (see instructions) . . . . .	<b>2</b>		
<b>3</b> <b>Net profit.</b> Subtract line 2 from line 1. If less than zero, you <b>must</b> use Schedule C. Enter on <b>Form 1040, line 12</b> , and <b>also</b> on <b>Schedule SE, line 2</b> . (Statutory employees <b>do not</b> report this amount on Schedule SE, line 2. Estates and trusts, enter on Form 1041, line 3.) . . . . .	<b>3</b>		

**Part III Information on Your Vehicle.** Complete this part **only** if you are claiming car or truck expenses on line 2.

- 4** When did you place your vehicle in service for business purposes? (month, day, year) ▶ ...../...../.....
- 5** Of the total number of miles you drove your vehicle during 2002, enter the number of miles you used your vehicle for:
- a** Business ..... **b** Commuting ..... **c** Other .....
- 6** Do you (or your spouse) have another vehicle available for personal use? . . . . .  **Yes**  **No**
- 7** Was your vehicle available for personal use during off-duty hours? . . . . .  **Yes**  **No**
- 8a** Do you have evidence to support your deduction? . . . . .  **Yes**  **No**
- b** If "Yes," is the evidence written? . . . . .  **Yes**  **No**

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 14374D

Schedule C-EZ (Form 1040) 2002

**SCHEDULE SE**  
**(Form 1040)**

**Self-Employment Tax**

OMB No. 1545-0074

**2002**

Attachment  
Sequence No. **17**

Department of the Treasury  
Internal Revenue Service (99)

▶ **Attach to Form 1040.** ▶ **See Instructions for Schedule SE (Form 1040).**

Name of person with **self-employment** income (as shown on Form 1040)

Bill Green

Social security number of person  
with **self-employment** income ▶

000 | 00 | 3941

**Who Must File Schedule SE**

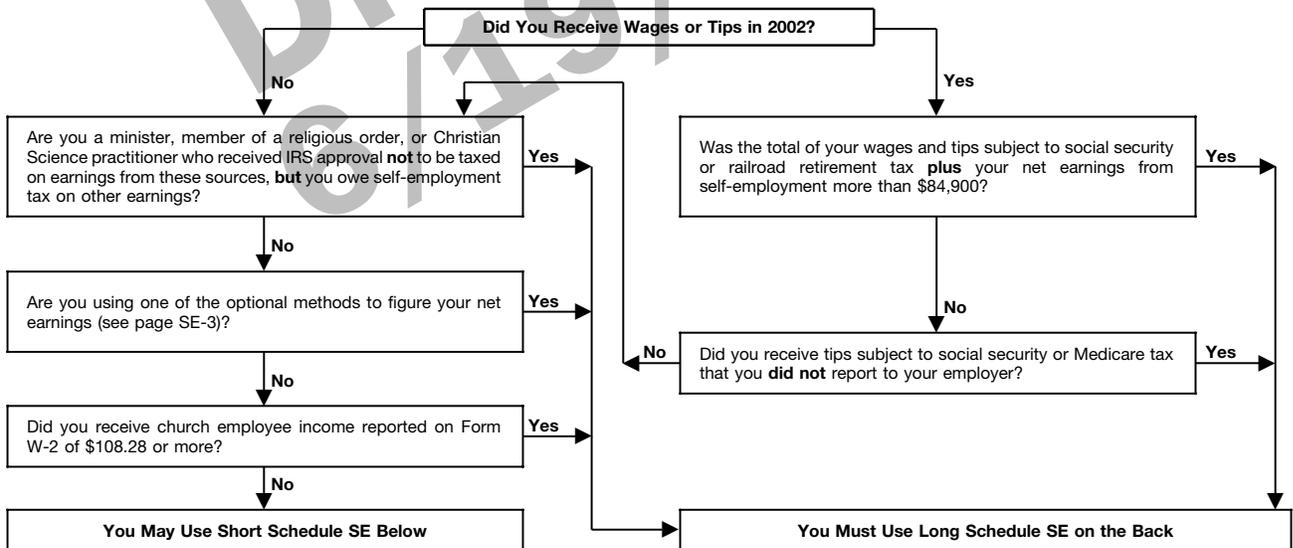
You must file Schedule SE if:

- You had net earnings from self-employment from **other than** church employee income (line 4 of Short Schedule SE or line 4c of Long Schedule SE) of \$400 or more **or**
- You had church employee income of \$108.28 or more. Income from services you performed as a minister or a member of a religious order **is not** church employee income. See page SE-1.

**Note.** Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either "optional method" in Part II of Long Schedule SE. See page SE-3.

**Exception.** If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner **and** you filed Form 4361 and received IRS approval not to be taxed on those earnings, **do not** file Schedule SE. Instead, write "Exempt-Form 4361" on Form 1040, line 56.

**May I Use Short Schedule SE or Must I Use Long Schedule SE?**



**Section A—Short Schedule SE. Caution.** Read above to see if you can use Short Schedule SE.

- 1 Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), line 15a . . . . .
- 2 Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-2 for other income to report . . . . .
- 3 Combine lines 1 and 2 . . . . .
- 4 **Net earnings from self-employment.** Multiply line 3 by 92.35% (.9235). If less than \$400, **do not** file this schedule; you do not owe self-employment tax . . . . . ▶
- 5 **Self-employment tax.** If the amount on line 4 is:
  - \$84,900 or less, multiply line 4 by 15.3% (.153). Enter the result here and on **Form 1040, line 56.**
  - More than \$84,900, multiply line 4 by 2.9% (.029). Then, add \$10,527.60 to the result. Enter the total here and on **Form 1040, line 56.**
- 6 **Deduction for one-half of self-employment tax.** Multiply line 5 by 50% (.5). Enter the result here and on **Form 1040, line 29** . . . . .

1		
2		
3		
4		
5		
6		

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 11358Z

Schedule SE (Form 1040) 2002

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

**For question A-22, complete the Form 1040, Student Loan Interest Deduction Worksheet-Line 25, using the following information:**

Taxpayer is single with no dependents. Her total income reported on Form 1040, Line 22, is \$42,000. She has no other adjustments to income on Lines 23 – 33A. She paid \$750 in interest on her qualified student loan.

A-22 What amount is entered on Form 1040, Line 25?

- a. 0
- b. \$ 750
- c. \$ 450
- d. \$ 400
- e. None of the above

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

If you were covered by a retirement plan and you file **Form 2555, 2555-EZ, or 8815**, or you exclude employer-provided adoption benefits, see Pub. 590 to figure the amount, if any, of your IRA deduction.

**Married Persons Filing Separately.** If you were not covered by a retirement plan but your spouse was, **you** are considered covered by a plan unless you **lived apart** from your spouse for all of 2002.

Use the worksheet below to figure your student loan interest deduction.

**Exception.** Use **Pub. 970** instead of the worksheet below to figure your student loan interest deduction if you file **Form 2555, 2555-EZ, or 4563**, or you exclude income from sources within Puerto Rico.

**Qualified Student Loan.** This is any loan you took out to pay the qualified higher education expenses for yourself, your spouse, or anyone who was your dependent when the loan was taken out. The person for whom the expenses were paid must have been an eligible student (defined on this page). However, a loan is not a qualified student loan if **(a)** any of the proceeds were used for other purposes or **(b)** the loan was from either a related person or a person who borrowed the proceeds under a qualified employer plan or a contract purchased under such a plan. To find out who is a related person, see Pub. 970.

**Qualified higher education expenses** generally include tuition, fees, room and board, and related expenses such as books and supplies. The expenses must be for education in a degree, certificate, or similar program at an eligible educational institution. An eligible educational institution includes most colleges, universities, and certain vocational schools. You must reduce

the expenses by the following nontaxable benefits.

- Employer-provided educational assistance benefits that are not included in box 1 of your W-2 form(s).
- Excludable U.S. series EE and I savings bond interest from **Form 8815**.
- Qualified tuition program earnings.
- Qualified distributions from a Coverdell education savings account.
- Any scholarship, educational assistance allowance, or other payment (but **not** gifts, inheritances, etc.) excluded from income.

For more details on these expenses, see Pub. 970.

An **eligible student** is a person who:

- Was enrolled in a degree, certificate, or other program (including a program of study abroad that was approved for credit by the institution at which the student was enrolled) leading to a recognized educational credential at an eligible educational institution and
- Carried at least half the normal full-time workload for the course of study he or she was pursuing.

## Line 25

### Student Loan Interest Deduction

You may claim the student loan interest deduction if **all four** of the following apply.

1. You paid interest in 2002 on a qualified student loan (see page 29).
2. Your filing status is any status **except** married filing separately.
3. Your modified adjusted gross income (AGI) is less than: \$65,000 if single, head of household, or qualifying widow(er); \$130,000 if married filing jointly. Use lines 3 through 5 of the worksheet on page 29 to figure your modified AGI.
4. You are not claimed as a dependent on someone's (such as your parent's) 2002 tax return.

### Student Loan Interest Deduction Worksheet—Line 25

Keep for Your Records

#### Before you begin:

- ✓ Complete Form 1040, lines 27 through 33a, if they apply to you.
- ✓ Figure any amount to be entered on the dotted line next to line 34 (see page 30).
- ✓ See the instructions for line 25 that begin on page 28.
- ✓ Be sure you have read the **Exception** on page 28 to see if you can use this worksheet instead of Pub. 970 to figure your deduction.



1. Enter the total interest you paid in 2002 on qualified student loans (defined above). <b>Do not</b> enter more than \$2,500 . . . . .		1. <input style="width: 100%;" type="text"/>
2. Enter the amount from Form 1040, line 22 . . . . .	2.	<input style="width: 100%;" type="text"/>
3. Enter the total of the amounts from Form 1040, line 23, line 24, lines 27 through 33a, plus any amount you entered on the dotted line next to line 34 . . . . .	3.	<input style="width: 100%;" type="text"/>
4. Subtract line 3 from line 2 . . . . .	4.	<input style="width: 100%;" type="text"/>
5. Enter the amount shown below for your filing status.	5.	<input style="width: 100%;" type="text"/>
<ul style="list-style-type: none"> <li>• Single, head of household, or qualifying widow(er)—\$50,000</li> <li>• Married filing jointly—\$100,000</li> </ul>	}	
6. Is the amount on line 4 more than the amount on line 5?	6.	<input style="width: 100%;" type="text"/>
<input type="checkbox"/> <b>No.</b> Skip lines 6 and 7, enter -0- on line 8, and go to line 9. <input type="checkbox"/> <b>Yes.</b> Subtract line 5 from line 4 . . . . .		
7. Divide line 6 by \$15,000 (\$30,000 if married filing jointly). Enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000 . . . . .	7.	<input style="width: 100%;" type="text"/>
8. Multiply line 1 by line 7 . . . . .	8.	<input style="width: 100%;" type="text"/>
9. <b>Student loan interest deduction.</b> Subtract line 8 from line 1. Enter the result here and on Form 1040, line 25. <b>Do not</b> include this amount in figuring any other deduction on your return (such as on Schedule A, C, E, etc.) . . . . .	9.	<input style="width: 100%;" type="text"/>

Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.

For questions A-23 and A-24 complete Form 1040, Schedule A for Ben Smtih, age 73, who has \$42,789 on Form 1040, Line 36, and the following expenses:

Prescriptions	250
Medical insurance premiums	900
Long-term Care premiums	2,400
Life insurance premiums	600
Unreimbursed smoking-cessation program	300
General weight-loss program	200
Funeral cost for his dependent son	950
State taxes withheld on his W-2	2,000
Utility taxes	375
Real estate taxes on personal residence	1,800
Real estate taxes on vacation home	300
Back real estate taxes on his mother's house (title in mother's name only)	150
Home mortgage interest on personal residence	2,100
Interest paid on his new car	600
Credit card interest charges	250
Cash contributions to his church (has a receipt)	900
Cash contributions to Girl Scouts of America	50
Cash contributions to Mr. Smith's campaign for re-election to the Senate	200
Clothing given to Salvation Army (Fair market Value)	100
Money given to a neighbor after a fire at their home	300
Union dues	360
Income tax preparation fee	250
Legal fees to prepare a simple will	400
Safe deposit box to keep stock certificates and savings bonds	50

A-23 What is the amount on Schedule A, line 1?

- a. \$ 1,450
- b. \$ 3,850
- c. \$ 3,550
- d. \$ 1,150
- e. None of the above

A-24 What is the amount on Schedule A, line 28?

- a. \$ 7,250
- b. \$ 8,291
- c. \$ 7,981
- d. \$ 7,891
- e. None of the above

Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.

**SCHEDULES A&B**  
**(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

**Schedule A—Itemized Deductions**

(Schedule B is on back)

OMB No. 1545-0074

**2002**

Attachment  
Sequence No. **07**

▶ **Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).**

Name(s) shown on Form 1040

Ben Smith

Your social security number

000 00 5341

<b>Medical and Dental Expenses</b>	<b>Caution.</b> Do not include expenses reimbursed or paid by others.				
	<b>1</b> Medical and dental expenses (see page A-2)				
	<b>2</b> Enter amount from Form 1040, line 36	<b>2</b>			
	<b>3</b> Multiply line 2 above by 7.5% (.075)				
<b>4</b> Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-					<b>4</b>
<b>Taxes You Paid</b> (See page A-2.)	<b>5</b> State and local income taxes				
	<b>6</b> Real estate taxes (see page A-2)				
	<b>7</b> Personal property taxes				
	<b>8</b> Other taxes. List type and amount ▶				
<b>9</b> Add lines 5 through 8					<b>9</b>
<b>Interest You Paid</b> (See page A-3.)	<b>10</b> Home mortgage interest and points reported to you on Form 1098				
	<b>11</b> Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-3 and show that person's name, identifying no., and address ▶				
	<b>11</b>				
	<b>12</b> Points not reported to you on Form 1098. See page A-3 for special rules				
<b>Note.</b> Personal interest is not deductible.	<b>13</b> Investment interest. Attach Form 4952 if required. (See page A-3.)				
	<b>14</b> Add lines 10 through 13				
<b>Gifts to Charity</b> If you made a gift and got a benefit for it, see page A-4.	<b>15</b> Gifts by cash or check. If you made any gift of \$250 or more, see page A-4				
	<b>16</b> Other than by cash or check. If any gift of \$250 or more, see page A-4. You <b>must</b> attach Form 8283 if over \$500				
	<b>17</b> Carryover from prior year				
	<b>18</b> Add lines 15 through 17				
<b>18</b>					<b>18</b>
<b>Casualty and Theft Losses</b>	<b>19</b> Casualty or theft loss(es). Attach Form 4684. (See page A-5.)				
<b>19</b>					<b>19</b>
<b>Job Expenses and Most Other Miscellaneous Deductions</b> (See page A-5 for expenses to deduct here.)	<b>20</b> Unreimbursed employee expenses—job travel, union dues, job education, etc. You <b>must</b> attach Form 2106 or 2106-EZ if required. (See page A-5.) ▶				
	<b>21</b> Tax preparation fees				
	<b>22</b> Other expenses—investment, safe deposit box, etc. List type and amount ▶				
	<b>22</b>				
	<b>23</b> Add lines 20 through 22				
	<b>24</b> Enter amount from Form 1040, line 36	<b>24</b>			
<b>25</b> Multiply line 24 above by 2% (.02)					
<b>26</b> Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-					<b>26</b>
<b>Other Miscellaneous Deductions</b>	<b>27</b> Other—from list on page A-6. List type and amount ▶				
<b>27</b>					<b>27</b>
<b>Total Itemized Deductions</b>	<b>28</b> Is Form 1040, line 36, over \$137,300 (over \$68,650 if married filing separately)? <input type="checkbox"/> <b>No.</b> Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 38. <input type="checkbox"/> <b>Yes.</b> Your deduction may be limited. See page A-6 for the amount to enter.				
					<b>28</b>

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 11330X

Schedule A (Form 1040) 2002

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

**For question A-25, complete the Form 1040, Capital Gain Tax Worksheet, for a taxpayer whose filing status is single and has the following entries on Form 1040:**

Line 13, Capital Gain Distribution	\$ 200
Line 41, Taxable Income	\$ 30,041

A-25 What will be the amount you enter on Form 1040, Line 42?

- a. \$ 4,439
- b. \$ 4,453
- c. \$ 4,349
- d. \$ 4,339
- e. None of the above

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

## Line 42

### Tax

Do you want the IRS to figure your tax for you?

**Yes.** See **Pub. 967** for details, including who is eligible and what to do. If you have paid too much, we will send you a refund. If you did not pay enough, we will send you a bill.

**No.** Use one of the following methods to figure your tax. Also include in the total on line 42 any of the following taxes.

- Tax from **Forms 8814** and **4972**. Be sure to check the appropriate box(es).

- Tax from recapture of an education credit. You may owe this tax if (a) you claimed an education credit in an earlier year and (b) you, your spouse if filing jointly, or your dependent received in 2002 either

tax-free educational assistance or a refund of qualified expenses. See **Form 8863** for more details. If you owe this tax, enter the amount and “ECR” on the dotted line next to line 42.

**Tax Table or Tax Rate Schedules.** If your taxable income is less than \$100,000, you must use the Tax Table, which starts on page 62, to figure your tax. Be sure you use the correct column. If your taxable income is \$100,000 or more, use the Tax Rate Schedules on page 74.

**Exception. Do not** use the Tax Table or Tax Rate Schedules to figure your tax if **either 1 or 2** below applies.

**1.** You are required to figure your tax using **Form 8615, Schedule D**, or the **Capital Gain Tax Worksheet** below.

**2.** You use **Schedule J** (for farm income) to figure your tax.

**Form 8615.** Form 8615 must generally be used to figure the tax for any child who was under age 14 on January 1, 2003, and who had more than \$1,500 of investment income, such as taxable interest, ordinary dividends, or capital gains (including capital gain distributions). But if neither of the child’s parents was alive on December 31, 2002, do not use Form 8615 to figure the child’s tax.

**Schedule D.** If you had a net capital gain on Schedule D (both lines 16 and 17 of Schedule D are gains) and the amount on Form 1040, line 41, is more than zero, use Part IV of Schedule D to figure your tax.

**Capital Gain Tax Worksheet.** If you received capital gain distributions but you are not required to file Schedule D, use the worksheet below to figure your tax.

**Schedule J.** If you had income from farming, your tax may be less if you choose to figure it using income averaging on Schedule J.

### Capital Gain Tax Worksheet—Line 42

Keep for Your Records

<b>Before you begin:</b>		<input checked="" type="checkbox"/> Be sure you do not have to file Schedule D (see the instructions for Form 1040, line 13, on page 23). <input checked="" type="checkbox"/> Be sure you checked the box on line 13 of Form 1040.	
1.	Enter the amount from Form 1040, line 41 . . . . .	1. <input type="text"/>	
2.	Enter the amount from Form 1040, line 13 . . . . .	2. <input type="text"/>	
3.	Subtract line 2 from line 1. If zero or less, enter -0- . . . . .	3. <input type="text"/>	
4.	Figure the tax on the amount on line 3. Use the Tax Table or Tax Rate Schedules, whichever applies	4. <input type="text"/>	
5.	Enter the <b>smaller</b> of:		
	<ul style="list-style-type: none"> <li>• The amount on line 1 or</li> <li>• \$27,950 if single; \$46,700 if married filing jointly or qualifying widow(er); \$23,350 if married filing separately; or \$37,450 if head of household.</li> </ul>	5. <input type="text"/>	
6.	Is the amount on line 3 equal to or more than the amount on line 5?		
	<input type="checkbox"/> <b>Yes.</b> Leave lines 6 through 8 blank; go to line 9 and check the “No” box.		
	<input type="checkbox"/> <b>No.</b> Enter the amount from line 3 . . . . .	6. <input type="text"/>	
7.	Subtract line 6 from line 5 . . . . .	7. <input type="text"/>	
8.	Multiply line 7 by 10% (.10) . . . . .	8. <input type="text"/>	
9.	Are the amounts on lines 2 and 7 the same?		
	<input type="checkbox"/> <b>Yes.</b> Leave lines 9 through 12 blank; go to line 13.		
	<input type="checkbox"/> <b>No.</b> Enter the <b>smaller</b> of line 1 or line 2 . . . . .	9. <input type="text"/>	
10.	Enter the amount, if any, from line 7 . . . . .	10. <input type="text"/>	
11.	Subtract line 10 from line 9. If zero or less, enter -0- . . . . .	11. <input type="text"/>	
12.	Multiply line 11 by 20% (.20) . . . . .	12. <input type="text"/>	
13.	Add lines 4, 8, and 12 . . . . .	13. <input type="text"/>	
14.	Figure the tax on the amount on line 1. Use the Tax Table or Tax Rate Schedules, whichever applies	14. <input type="text"/>	
15.	<b>Tax on all taxable income (including capital gain distributions).</b> Enter the <b>smaller</b> of line 13 or line 14 here and on Form 1040, line 42 . . . . .	15. <input type="text"/>	

Need more information or forms? See page 7.

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

**For question A-26, complete a Form 8880 using the following information:**

Form W-2, box 12 has code "D" and \$1000  
Form 1040, line 36, is \$23,350  
Filing status is Single  
No other contributions or distributions  
Form 1040, line 44, is \$2,051  
Form 1040, lines 45-48 are 0

A-26 What is the amount you will enter on Form 1040, line 49?

- a. \$ 100
- b. \$ 500
- c. \$ 1,000
- d. \$ 200
- e. -0-

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

**Credit for Qualified Retirement Savings Contributions**

▶ Attach to your tax return.

Name(s) shown on return

Michelle Jefferson

Your social security number

000 00 6811

**Caution.** You cannot claim this credit if:

- Your adjusted gross income is over \$25,000 (\$37,500 if head of household; \$50,000 if married filing jointly);
- You were born after January 1, 1985;
- Someone else (such as your parent) claims you as a dependent for 2002; or
- You were a full-time student during 5 or more months in 2002.

		(a) You	(b) Your spouse																																																
1 Enter the amount contributed to traditional and Roth IRAs for 2002 . . . . .	<b>1</b>																																																		
2 Enter the amount of salary reduction contributions to a 401(k) or other qualified employer plan for 2002, plus any voluntary contributions (see instructions) . . . . .	<b>2</b>																																																		
3 Add lines 1 and 2 in columns (a) and (b) . . . . .	<b>3</b>																																																		
4 Enter the total of all Roth IRA distributions, plus all taxable distributions from other qualified retirement plans, that were made after 1999 and before the due date (including extensions) of your 2002 tax return (see instructions) . . . . .	<b>4</b>																																																		
5 Subtract line 4 from line 3 in columns (a) and (b). If zero or less, enter -0-	<b>5</b>																																																		
6 In each column, enter the <b>smaller</b> of line 5 or \$2,000 . . . . .	<b>6</b>																																																		
7 Add the amounts on line 6. If zero, <b>stop</b> ; you cannot claim the credit . . . . .			<b>7</b>																																																
8 Enter the amount from Form 1040, line 36 (or Form 1040A, line 22)* <b>8</b>	<b>8</b>																																																		
9 Enter the applicable decimal amount shown below for your filing status			<b>9</b>																																																
<table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">If line 8 is--</th> <th colspan="2" style="text-align: center;">Enter on line 9--</th> <th style="text-align: left;">Single, Married filing separate, or Qualifying widow(er)</th> </tr> <tr> <th style="text-align: left;">Over--</th> <th style="text-align: left;">But not over--</th> <th style="text-align: center;">Married filing jointly</th> <th style="text-align: left;">Head of household</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">---</td> <td style="text-align: center;">\$15,000</td> <td style="text-align: center;">.50</td> <td style="text-align: center;">.50</td> </tr> <tr> <td style="text-align: center;">\$15,000</td> <td style="text-align: center;">\$16,250</td> <td style="text-align: center;">.50</td> <td style="text-align: center;">.20</td> </tr> <tr> <td style="text-align: center;">\$16,250</td> <td style="text-align: center;">\$22,500</td> <td style="text-align: center;">.50</td> <td style="text-align: center;">.10</td> </tr> <tr> <td style="text-align: center;">\$22,500</td> <td style="text-align: center;">\$24,375</td> <td style="text-align: center;">.50</td> <td style="text-align: center;">.10</td> </tr> <tr> <td style="text-align: center;">\$24,375</td> <td style="text-align: center;">\$25,000</td> <td style="text-align: center;">.50</td> <td style="text-align: center;">.10</td> </tr> <tr> <td style="text-align: center;">\$25,000</td> <td style="text-align: center;">\$30,000</td> <td style="text-align: center;">.50</td> <td style="text-align: center;">.00</td> </tr> <tr> <td style="text-align: center;">\$30,000</td> <td style="text-align: center;">\$32,500</td> <td style="text-align: center;">.20</td> <td style="text-align: center;">.00</td> </tr> <tr> <td style="text-align: center;">\$32,500</td> <td style="text-align: center;">\$37,500</td> <td style="text-align: center;">.10</td> <td style="text-align: center;">.00</td> </tr> <tr> <td style="text-align: center;">\$37,500</td> <td style="text-align: center;">\$50,000</td> <td style="text-align: center;">.10</td> <td style="text-align: center;">.00</td> </tr> <tr> <td style="text-align: center;">\$50,000</td> <td style="text-align: center;">---</td> <td style="text-align: center;">.00</td> <td style="text-align: center;">.00</td> </tr> </tbody> </table>	If line 8 is--	Enter on line 9--		Single, Married filing separate, or Qualifying widow(er)	Over--	But not over--	Married filing jointly	Head of household	---	\$15,000	.50	.50	\$15,000	\$16,250	.50	.20	\$16,250	\$22,500	.50	.10	\$22,500	\$24,375	.50	.10	\$24,375	\$25,000	.50	.10	\$25,000	\$30,000	.50	.00	\$30,000	\$32,500	.20	.00	\$32,500	\$37,500	.10	.00	\$37,500	\$50,000	.10	.00	\$50,000	---	.00	.00			<b>10</b>
If line 8 is--	Enter on line 9--		Single, Married filing separate, or Qualifying widow(er)																																																
Over--	But not over--	Married filing jointly	Head of household																																																
---	\$15,000	.50	.50																																																
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\$50,000	---	.00	.00																																																
10 Multiply line 7 by line 9 . . . . .	<b>10</b>																																																		
11 Enter the amount from Form 1040, line 44 (or Form 1040A, line 28) <b>11</b>	<b>11</b>																																																		
12 Enter the total of your credits from Form 1040, lines 45 through 48 (or Form 1040A, lines 29 through 31) . . . . . <b>12</b>	<b>12</b>																																																		
13 Subtract line 12 from line 11. If line 12 is equal to or more than line 11, <b>stop</b> ; you cannot take the credit . . . . . <b>13</b>	<b>13</b>																																																		
14 <b>Credit for qualified retirement savings contributions.</b> Enter the <b>smaller</b> of line 10 or line 13 here and on Form 1040, line 49 (or Form 1040A, line 32) <b>14</b>	<b>14</b>																																																		

**Note:** If line 9 is zero, **stop**; you cannot claim the credit.

\*See Pub. 970 for the amount to enter if you are filing Form 2555, 2555-EZ, or 4563 or you are excluding income from Puerto Rico.



Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.

## PART B – Wage Earner

For questions B-1 through B-6, are these credits refundable?

- a. Yes
- b. No

- B-1 Credit for child and dependent care expenses
- B-2 Retirement savings contributions credit
- B-3 Child tax credit
- B-4 Earned income credit
- B-5 Additional child tax credit
- B-6 Education credits

For questions B-7 through B-11, determine if the taxpayer can claim the earned income tax credit (EIC).

- a. Yes
- b. No

- B-7 Christina's niece, Nancy, moved in with Christina in June 2002. Christina cared for Nancy like she would her own child. Nancy is 9 years old. Christina will file as head of household and has earned income and adjusted gross income of \$20,652. Is Christina eligible for EIC?
- B-8 Cindy and Brian have a 7 year old child who lives with them. They will file a joint return showing earned income and adjusted gross income of \$30,225. Are they eligible to receive EIC?
- B-9 Lorrie will file head of household and has one child, Lynn, who lives with her. Lynn's father lives in another city and will claim Lynn as a dependent. Is Lynn Lorrie's qualifying child for EIC purposes?
- B-10 Joe has three children, all under the age of 19, and they all live with his mother, Charlotte. They have lived together for two years. Joe wants to file as single and claim one child for EIC and let his mother claim the other two children for EIC. Must Joe claim two children before Charlotte can claim the other one for EIC?
- B-11 Karen has two children under the age of 19 and they all lived with her mother, Donna, for all of 2002. Karen and Donna decided that Donna will claim the EIC for both children. Later, they have a disagreement and Karen files for EIC for the same two children. The IRS finds the mismatch and applies the tie-breaking rules. Because Donna filed first and has the higher AGI, will Donna keep her EIC?

Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

**For questions B-12 through B-15, use the following scenario to complete a Form 1040 through Line 48. Do not complete the rest of the return.**

Laurie and Perry Brown are filing a joint return. They each have a Form W-2 and no other income. They have four dependent children, two of whom they send to day care to allow them both to work. Their son, Peter, is a sophomore and full time student at Embry University. Laurie and Perry paid \$12,500 in tuition and fees for Peter. They tell you they want to take advantage of the new tuition and fees deduction. In addition, Perry took two accounting classes and paid \$1,000 tuition. He wants to take advantage of the lifetime learning credit. They do not want to contribute to the Presidential Election Campaign. The children and the amounts paid for day care are below:

Peter	SSN 000-00-5784	DOB 5/8/1982	
Phillip	SSN 000-00-6149	DOB 8/3/1988	
Allie	SSN 000-00-3812	DOB 7/7/1994	\$2,000
Aidan	SSN 000-00-4823	DOB 12/21/1996	\$5,925

Day Care facility      Sioux Falls Kinder Care  
   EIN 78-2587418  
   39 S. 14th Street  
   Sioux Falls, SD 57101

B-12 What is the amount on Form 1040, Line 26?

- a. 0
- b. \$ 3,000
- c. \$ 9,500
- d. \$ 12,500
- e. None of the above

B-13 What is the amount on Form 2441, Line 26?

- a. \$ 3,800
- b. \$ 4,800
- c. \$ 6,925
- d. \$ 7,925
- e. -0-

B-14 What is the amount on Form 1040, Line 46?

- a. \$ 760
- b. \$ 960
- c. \$ 3,800
- d. \$ 4,800
- e. -0-

B-15 What is the amount on Form 1040, Line 48?

- a. 0
- b. \$ 200
- c. \$ 1,000
- d. \$ 2,000
- e. None of the above

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

a Control number		OMB No. 1545-0008		Safe, accurate, FAST! Use 		Visit the IRS Web Site at <a href="http://www.irs.gov">www.irs.gov</a> .	
b Employer identification number 78-2198743		1 Wages, tips, other compensation 48,250		2 Federal income tax withheld 3848.00			
c Employer's name, address, and ZIP code Casper Electronics 695 S. 23rd St Sioux Falls, SD 57101		3 Social security wages 49,250		4 Social security tax withheld 3053.50			
		5 Medicare wages and tips 49,250		6 Medicare tax withheld 714.13			
		7 Social security tips		8 Allocated tips			
d Employee's social security number 000-00-7654		9 Advance EIC payment		10 Dependent care benefits 1000.00			
e Employee's first name and initial Last name Perry Brown 4151 E. 94th St Sioux Falls, SD 57101		11 Nonqualified plans		12a See instructions for box 12			
		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12b			
		14 Other		12c			
				12d			
f Employee's address and ZIP code							
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

Form **W-2 Wage and Tax Statement** **2002** Department of the Treasury—Internal Revenue Service  
 Copy B To Be Filed with Employee's FEDERAL Tax Return. (Rev. February 2002)  
 This information is being furnished to the Internal Revenue Service.

a Control number		OMB No. 1545-0008		Safe, accurate, FAST! Use 		Visit the IRS Web Site at <a href="http://www.irs.gov">www.irs.gov</a> .	
b Employer identification number 78-4321987		1 Wages, tips, other compensation 14,930		2 Federal income tax withheld 462.00			
c Employer's name, address, and ZIP code Falls Appliances 201 West Third St Sioux Falls, SD 57101		3 Social security wages 14,930		4 Social security tax withheld 925.66			
		5 Medicare wages and tips 14,930		6 Medicare tax withheld 216.49			
		7 Social security tips		8 Allocated tips			
d Employee's social security number 000-00-4567		9 Advance EIC payment		10 Dependent care benefits			
e Employee's first name and initial Last name Laurie Brown 4151 E. 94th St Sioux Falls, SD 57101		11 Nonqualified plans		12a See instructions for box 12			
		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12b			
		14 Other		12c			
				12d			
f Employee's address and ZIP code							
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

Form **W-2 Wage and Tax Statement** **2002** Department of the Treasury—Internal Revenue Service  
 Copy B To Be Filed with Employee's FEDERAL Tax Return. (Rev. February 2002)  
 This information is being furnished to the Internal Revenue Service.

Label

(See instructions on page 19.) Use the IRS label. Otherwise, please print or type.

LABEL HERE

For the year Jan. 1–Dec. 31, 2002, or other tax year beginning , 2002, ending , 20
Your first name and initial Perry Last name Brown
If a joint return, spouse's first name and initial Laurie Last name Brown
Home address (number and street). If you have a P.O. box, see page 19. 4151 E. 94th Street Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 19. Sioux Falls, SD 57101

OMB No. 1545-0074
Your social security number 000 00 7654
Spouse's social security number 000 00 4567

Important! You must enter your SSN(s) above.

Presidential Election Campaign (See page 19.)

Note. Checking "Yes" will not change your tax or reduce your refund. Do you, or your spouse if filing a joint return, want \$3 to go to this fund? You Spouse Yes No Yes No

Filing Status

Check only one box.

1 Single 2 Married filing jointly (even if only one had income) 3 Married filing separately. Enter spouse's SSN above and full name here. 4 Head of household (with qualifying person). (See page 19.) If the qualifying person is a child but not your dependent, enter this child's name here. 5 Qualifying widow(er) with dependent child (year spouse died). (See page 19.)

Exemptions

If more than five dependents, see page 20.

6a Yourself. If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a. b Spouse. c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if qualifying child for child tax credit (see page 20) d Total number of exemptions claimed

No. of boxes checked on 6a and 6b. No. of children on 6c who: lived with you, did not live with you due to divorce or separation (see page 20). Dependents on 6c not entered above. Add numbers on lines above.

Income

Attach Forms W-2 and W-2G here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 21.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

Table with 2 columns: Description and Amount. Rows include: 7 Wages, salaries, tips, etc. Attach Form(s) W-2; 8a Taxable interest; 8b Tax-exempt interest; 9 Ordinary dividends; 10 Taxable refunds, credits, or offsets of state and local income taxes; 11 Alimony received; 12 Business income or (loss); 13 Capital gain or (loss); 14 Other gains or (losses); 15a IRA distributions; 15b Taxable amount; 16a Pensions and annuities; 16b Taxable amount; 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc.; 18 Farm income or (loss); 19 Unemployment compensation; 20a Social security benefits; 20b Taxable amount; 21 Other income; 22 Add the amounts in the far right column for lines 7 through 21. This is your total income.

Adjusted Gross Income

Table with 2 columns: Description and Amount. Rows include: 23 Educator expenses; 24 IRA deduction; 25 Student loan interest deduction; 26 Tuition and fees deduction; 27 Archer MSA deduction; 28 Moving expenses; 29 One-half of self-employment tax; 30 Self-employed health insurance deduction; 31 Self-employed SEP, SIMPLE, and qualified plans; 32 Penalty on early withdrawal of savings; 33a Alimony paid; 33b Recipient's SSN; 34 Add lines 23 through 33a; 35 Subtract line 34 from line 22. This is your adjusted gross income.

Tax and Credits

Standard Deduction for—

• People who checked any box on line 37a or 37b or who can be claimed as a dependent, see page 31.

• All others: Single, \$4,700; Head of household, \$6,900; Married filing jointly or Qualifying widow(er), \$7,850; Married filing separately, \$3,925

36 Amount from line 35 (adjusted gross income)
37a Check if: You were 65 or older, Blind; Spouse was 65 or older, Blind.
38 Itemized deductions (from Schedule A) or your standard deduction
39 Subtract line 38 from line 36
40 If line 36 is \$103,000 or less, multiply \$3,000 by the total number of exemptions claimed on line 6d.
41 Taxable income. Subtract line 40 from line 39.
42 Tax (see page 33). Check if any tax is from a Form(s) 8814 b Form 4972
43 Alternative minimum tax (see page 34). Attach Form 6251
44 Add lines 42 and 43
45 Foreign tax credit. Attach Form 1116 if required
46 Credit for child and dependent care expenses. Attach Form 2441
47 Credit for the elderly or the disabled. Attach Schedule R
48 Education credits. Attach Form 8863
49 Retirement savings contributions credit. Attach Form 8880
50 Child tax credit (see page XX)
51 Adoption credit. Attach Form 8839
52 Credits from: a Form 8396 b Form 8859
53 Other credits. Check applicable box(es): a Form 3800 b Form 8801 c Specify
54 Add lines 45 through 53. These are your total credits
55 Subtract line 54 from line 44. If line 54 is more than line 44, enter -0-

Other Taxes

56 Self-employment tax. Attach Schedule SE
57 Social security and Medicare tax on tip income not reported to employer. Attach Form 4137
58 Tax on qualified plans, including IRAs, and other tax-favored accounts. Attach Form 5329 if required
59 Advance earned income credit payments from Form(s) W-2
60 Household employment taxes. Attach Schedule H
61 Add lines 55 through 60. This is your total tax

Payments

If you have a qualifying child, attach Schedule EIC.

62 Federal income tax withheld from Forms W-2 and 1099
63 2002 estimated tax payments and amount applied from 2001 return
64 Earned income credit (EIC)
65 Excess social security and tier 1 RRTA tax withheld (see page 51)
66 Additional child tax credit. Attach Form 8812
67 Amount paid with request for extension to file (see page 51)
68 Other payments from: a Form 2439 b Form 4136
69 Add lines 62 through 68. These are your total payments

Refund

Direct deposit? See page 51 and fill in 71b, 71c, and 71d.

70 If line 69 is more than line 61, subtract line 61 from line 69. This is the amount you overpaid
71a Amount of line 70 you want refunded to you
71b Routing number
71c Type: Checking Savings
71d Account number
72 Amount of line 70 you want applied to your 2003 estimated tax

Amount You Owe

73 Amount you owe. Subtract line 69 from line 61. For details on how to pay, see page 52
74 Estimated tax penalty (see page 52)

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 53)? Yes. Complete the following. No

Designee's name Phone no. Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See page 19. Keep a copy for your records.

Your signature Date Your occupation Daytime phone number
Spouse's signature. If a joint return, both must sign. Date Spouse's occupation

Paid Preparer's Use Only

Preparer's signature Date Check if self-employed Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code EIN Phone no.

## Line 26

### Tuition and Fees Deduction

You may claim the tuition and fees deduction if **all five** of the following apply.

1. You paid qualified tuition and fees (see below) in 2002 for yourself, your spouse, or your dependent(s).

2. Your filing status is any status **except** married filing separately.

3. Your modified adjusted gross income (AGI) is not more than: \$65,000 if single, head of household, or qualifying widow(er); \$130,000 if married filing jointly. Use lines 1 through 3 of the worksheet below to figure your modified AGI.

4. You cannot be claimed as a dependent on someone's (such as your parent's) 2002 tax return.

5. You are not claiming an education credit on line 48 for the same student.

Use the worksheet below to figure your tuition and fees deduction.

**Exception.** Use **Pub. 970** instead of the worksheet below to figure your tuition and fees deduction if you file **Form 2555, 2555-EZ, or 4563**, or you exclude income from sources within Puerto Rico.

**Qualified Tuition and Fees.** These are amounts paid in 2002 for tuition and fees **required** for the student's enrollment or attendance at an eligible educational institution during 2002. Amounts paid include those paid with borrowed funds. An eligible educational institution includes most colleges, universities, and certain vocational schools.

Qualified tuition and fees **do not** include any of the following:

- Amounts paid for room, board, transportation, books, supplies, student activity fees, athletic fees, insurance expenses, or any other expense that is not related to the course of instruction.

- Expenses for any course involving sports, games, or hobbies, unless such course is part of the student's degree program.

- Amounts used to figure any other deduction claimed by you, your spouse, or your dependent, such as on **Schedule A** or **Schedule C**.

Qualified tuition and fees must be reduced by the following nontaxable benefits.

- Excludable U.S. series EE and I savings bond interest from **Form 8815**.

- Qualified tuition program earnings.

- Qualified distributions from a Coverdell education savings account.

- Any scholarship educational assistance allowance or other payment (but **not** gifts, inheritances, etc.) excluded from income.

Qualified tuition and fees paid in 2002 for an academic period that **begins** in the first three months of 2003 can be used in figuring your 2002 deduction.

For more details, see Pub. 970.

## Line 27

### Archer MSA Deduction

If you made a contribution to an Archer MSA for 2002, you may be able to take this deduction. See **Form 8853**.

## Line 28

### Moving Expenses

If you moved in connection with your job or business or started a new job, you may be able to take this deduction. But your new workplace must be at least 50 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 50 miles from your old home. Use TeleTax topic 455 (see page 11) or see **Form 3903**.

## Line 29

### One-Half of Self-Employment Tax

If you were self-employed and owe self-employment tax, fill in **Schedule SE** to figure the amount of your deduction.

## Line 30

### Self-Employed Health Insurance Deduction

You may be able to deduct part of the amount paid for health insurance for yourself, your spouse, and dependents if **either** of the following applies.

- You were self-employed and had a net profit for the year or

- You received wages in 2002 from an S corporation in which you were a more-than-2% shareholder. Health insurance benefits paid for you may be shown in box 14 of your W-2 form.

### Tuition and Fees Deduction Worksheet—Line 26

*Keep for Your Records*

#### Before you begin:

- ✓ Complete Form 1040, lines 27 through 33a, if they apply to you.
- ✓ Figure any amount to be entered on the dotted line next to line 34 (see page xx).
- ✓ See the instructions for line 26 above.
- ✓ Be sure you have read the **Exception** above to see if you can use this worksheet instead of Pub. 970 to figure your deduction.



1. Enter the amount from Form 1040, line 22 . . . . .	1.	
2. Enter the total of the amounts from Form 1040, lines 23 through 25, lines 27 through 33a, plus any amount you entered on the dotted line next to line 34 . . . . .	2.	
3. Subtract line 2 from line 1 . . . . .	3.	
<p><b>Note.</b> If the amount on line 3 is more than \$65,000 (\$130,000 if married filing jointly), <b>stop here.</b> You cannot take the deduction for tuition and fees.</p>		
4. <b>Tuition and fees deduction.</b> Enter the total qualified tuition and fees (defined above) you paid in 2002. <b>Do not</b> enter more than \$3,000. Also, enter this amount on Form 1040, line 26 . . . . .	4.	

Need more information or forms? See page 7.

**Child and Dependent Care Expenses**

Department of the Treasury  
Internal Revenue Service (99)

▶ Attach to Form 1040.  
▶ See separate instructions.

Name(s) shown on Form 1040

Perry and Laurie Brown

Your social security number

000 00 7654

**Before you begin:** You need to understand the following terms. See **Definitions** on page 1 of the instructions.

- **Dependent Care Benefits**
- **Qualifying Person(s)**
- **Qualified Expenses**
- **Earned Income**

**Part I** **Persons or Organizations Who Provided the Care**—You must complete this part.  
(If you need more space, use the bottom of page 2.)

1	(a) Care provider's name	(b) Address (number, street, apt. no., city, state, and ZIP code)	(c) Identifying number (SSN or EIN)	(d) Amount paid (see instructions)

Did you receive dependent care benefits?

**No** —————▶ Complete only Part II below.  
 **Yes** —————▶ Complete Part III on the back next.

**Caution.** If the care was provided in your home, you may owe employment taxes. See the instructions for Form 1040, line 60.

**Part II** **Credit for Child and Dependent Care Expenses**

**2** Information about your **qualifying person(s)**. If you have more than two qualifying persons, see the instructions.

	(a) Qualifying person's name	(b) Qualifying person's social security number	(c) Qualified expenses you incurred and paid in 2002 for the person listed in column (a)
	First	Last	

<b>3</b> Add the amounts in column (c) of line 2. <b>Do not</b> enter more than \$2,400 for one qualifying person or \$4,800 for two or more persons. If you completed Part III, enter the amount from line 26 . . . . .	<b>3</b>																																																	
<b>4</b> Enter your <b>earned income</b> . . . . .	<b>4</b>																																																	
<b>5</b> If married filing a joint return, enter your spouse's earned income (if your spouse was a student or was disabled, see the instructions); <b>all others</b> , enter the amount from line 4 . . . . .	<b>5</b>																																																	
<b>6</b> Enter the <b>smallest</b> of line 3, 4, or 5 . . . . .	<b>6</b>																																																	
<b>7</b> Enter the amount from Form 1040, line 36 . . . . . <b>7</b>	<b>7</b>																																																	
<b>8</b> Enter on line 8 the decimal amount shown below that applies to the amount on line 7	<b>8</b>	X .																																																
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: left; border-bottom: 1px solid black;">If line 7 is:</th> <th colspan="3" style="text-align: left; border-bottom: 1px solid black;">If line 7 is:</th> </tr> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Over</th> <th style="text-align: left; border-bottom: 1px solid black;">But not over</th> <th style="text-align: left; border-bottom: 1px solid black;">Decimal amount is</th> <th style="text-align: left; border-bottom: 1px solid black;">Over</th> <th style="text-align: left; border-bottom: 1px solid black;">But not over</th> <th style="text-align: left; border-bottom: 1px solid black;">Decimal amount is</th> </tr> </thead> <tbody> <tr> <td>\$0—10,000</td> <td></td> <td>.30</td> <td>\$20,000—22,000</td> <td></td> <td>.24</td> </tr> <tr> <td>10,000—12,000</td> <td></td> <td>.29</td> <td>22,000—24,000</td> <td></td> <td>.23</td> </tr> <tr> <td>12,000—14,000</td> <td></td> <td>.28</td> <td>24,000—26,000</td> <td></td> <td>.22</td> </tr> <tr> <td>14,000—16,000</td> <td></td> <td>.27</td> <td>26,000—28,000</td> <td></td> <td>.21</td> </tr> <tr> <td>16,000—18,000</td> <td></td> <td>.26</td> <td>28,000—No limit</td> <td></td> <td>.20</td> </tr> <tr> <td>18,000—20,000</td> <td></td> <td>.25</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	If line 7 is:			If line 7 is:			Over	But not over	Decimal amount is	Over	But not over	Decimal amount is	\$0—10,000		.30	\$20,000—22,000		.24	10,000—12,000		.29	22,000—24,000		.23	12,000—14,000		.28	24,000—26,000		.22	14,000—16,000		.27	26,000—28,000		.21	16,000—18,000		.26	28,000—No limit		.20	18,000—20,000		.25				<b>8</b>	
If line 7 is:			If line 7 is:																																															
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<b>9</b> Multiply line 6 by the decimal amount on line 8. If you paid 2001 expenses in 2002, see the instructions . . . . .	<b>9</b>																																																	
<b>10</b> Enter the amount from Form 1040, line 44, minus any amount on Form 1040, line 45 . . . . .	<b>10</b>																																																	
<b>11</b> <b>Credit for child and dependent care expenses.</b> Enter the <b>smaller</b> of line 9 or line 10 here and on Form 1040, line 46 . . . . .	<b>11</b>																																																	

**Part III Dependent Care Benefits**

<b>12</b>	Enter the total amount of <b>dependent care benefits</b> you received for 2002. This amount should be shown in box 10 of your W-2 form(s). <b>Do not</b> include amounts that were reported to you as wages in box 1 of Form(s) W-2 . . . . .				<b>12</b>
<b>13</b>	Enter the amount forfeited, if any (see the instructions). . . . .				<b>13</b>
<b>14</b>	Subtract line 13 from line 12 . . . . .				<b>14</b>
<b>15</b>	Enter the total amount of <b>qualified expenses</b> incurred in 2002 for the care of the <b>qualifying person(s)</b> . . . . .	<b>15</b>			
<b>16</b>	Enter the <b>smaller</b> of line 14 or 15 . . . . .	<b>16</b>			
<b>17</b>	Enter your <b>earned income</b> . . . . .	<b>17</b>			
<b>18</b>	If married filing a joint return, enter your spouse's earned income (if your spouse was a student or was disabled, see the instructions for line 5); if married filing a separate return, see the instructions for the amount to enter; <b>all others</b> , enter the amount from line 17 . . . . .	<b>18</b>			
<b>19</b>	Enter the <b>smallest</b> of line 16, 17, or 18 . . . . .	<b>19</b>			
<b>20</b>	<b>Excluded benefits.</b> Enter here the <b>smaller</b> of the following: <ul style="list-style-type: none"> <li>• The amount from line 19 or</li> <li>• \$5,000 (\$2,500 if married filing a separate return <b>and</b> you were required to enter your spouse's earned income on line 18).</li> </ul>				<b>20</b>
<b>21</b>	<b>Taxable benefits.</b> Subtract line 20 from line 14. Also, include this amount on Form 1040, line 7. On the dotted line next to line 7, enter "DCB" . . . . .				<b>21</b>

To claim the child and dependent care credit, complete lines 22–26 below.

<b>22</b>	Enter \$2,400 (\$4,800 if two or more qualifying persons) . . . . .				<b>22</b>
<b>23</b>	Enter the amount from line 20 . . . . .				<b>23</b>
<b>24</b>	Subtract line 23 from line 22. If zero or less, <b>stop</b> . You cannot take the credit. <b>Exception.</b> If you paid 2001 expenses in 2002, see the instructions for line 9 . . . . .				<b>24</b>
<b>25</b>	Complete line 2 on the front of this form. <b>Do not</b> include in column (c) any benefits shown on line 20 above. Then, add the amounts in column (c) and enter the total here . . . . .				<b>25</b>
<b>26</b>	Enter the <b>smaller</b> of line 24 or 25. Also, enter this amount on line 3 on the front of this form and complete lines 4–11 . . . . .				<b>26</b>



**Education Credits**  
**(Hope and Lifetime Learning Credits)**

▶ See instructions.      ▶ Attach to Form 1040 or Form 1040A.

Name(s) shown on return Perry and Laurie Brown      Your social security number 000 00 7654

**Part I Hope Credit.** Caution: The Hope credit may be claimed for no more than 2 tax years for the same student.

1	(a) Student's name (as shown on page 1 of your tax return)  First name ----- Last name	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (but <b>do not</b> enter more than \$2,000 for each student). See instructions	(d) Enter the <b>smaller</b> of the amount in column (c) or \$1,000	(e) Subtract column (d) from column (c)	(f) Enter one-half of the amount in column (e)	
2	Add the amounts in columns (d) and (f)					2	
3	Tentative Hope credit. Add the amounts on line 2, columns (d) and (f). If you are claiming the lifetime learning credit, go to Part II; otherwise, go to Part III					3	

**Part II Lifetime Learning Credit**

4	(a) Student's name (as shown on page 1 of your tax return)  First name Last name	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses. See instructions
5	Add the amounts on line 4, column (c), and enter the total		5
6	Enter the <b>smaller</b> of line 5 or \$5,000		6
7	Tentative lifetime learning credit. Multiply line 6 by 20% (.20) and go to Part III		7

**Part III Allowable Education Credits**

8	Tentative education credits. Add lines 3 and 7		8
9	Enter: \$102,000 if married filing jointly; \$51,000 if single, head of household, or qualifying widow(er)		9
10	Enter the amount from Form 1040, line 36 (or Form 1040A, line 22)*		10
11	Subtract line 10 from line 9. If line 10 is equal to or more than line 9, <b>stop</b> ; you cannot take any education credits		11
12	Enter: \$20,000 if married filing jointly; \$10,000 if single, head of household, or qualifying widow(er)		12
13	If line 11 is equal to or more than line 12, enter the amount from line 8 on line 14 and go to line 15. If line 11 is less than line 12, divide line 11 by line 12. Enter the result as a decimal (rounded to at least three places)		13
14	Multiply line 8 by line 13		14
15	Enter the amount from Form 1040, line 44 (or Form 1040A, line 28)		15
16	Enter the total, if any, of your credits from Form 1040, lines 45 through 47 (or from Form 1040A, lines 29 and 30)		16
17	Subtract line 16 from line 15. If line 16 is equal to or more than line 15, <b>stop</b> ; you cannot take any education credits		17
18	<b>Education credits.</b> Enter the <b>smaller</b> of line 14 or line 17 here and on Form 1040, line 48 (or Form 1040A, line 31)		18

\*See Pub. 970 for the amount to enter if you are filing Form 2555, 2555-EZ, or 4563 or you are excluding income from Puerto Rico.

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

**For questions B-16 through B-19, use the following scenario to complete a Form 1040 through line 71a only.**

Belinda Allen, age 66, is a grandmother of three children. She provides all the support for the grandchildren and will be filing as head of household. Belinda's sister keeps the children during the day, so Belinda has no child care expenses.

The children's names, date of birth, and social security numbers are:

Peter	born 4/9/2000	SSN 000-00-4242
Deborah	born 11/26/1994	SSN 000-00-3232
Mary	born 7/5/1992	SSN 000-00-8541

**B-16** What is the amount on Form 1040, Line 50?

- a. 0
- b. \$ 913
- c. \$ 1,800
- d. \$ 887
- e. \$1,041

**B-17** What is the amount on Form 1040, Line 61?

- a. 0
- b. \$ 843
- c. \$ 1,924
- d. \$ 1,800
- e. None of the above

**B-18** What is the amount on Form 1040, Line 64?

- a. 0
- b. \$ 843
- c. \$ 913
- d. \$ 1,800
- e. None of the above

**B-19** What is the amount on Form 1040, Line 66?

- a. \$ -0-
- b. \$ 913
- c. \$ 1,800
- d. \$ 887
- e. \$759

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

a Control number		OMB No. 1545-0008		Safe, accurate, FAST! Use 		Visit the IRS Web Site at <a href="http://www.irs.gov">www.irs.gov</a> .	
b Employer identification number <b>78-1234562</b>				1 Wages, tips, other compensation <b>29,195</b>		2 Federal income tax withheld <b>1,924</b>	
c Employer's name, address, and ZIP code <b>Ashland Bakery 10201 N. 10th Street Omaha, NE 68108</b>				3 Social security wages <b>29,195</b>		4 Social security tax withheld <b>1,810.09</b>	
				5 Medicare wages and tips <b>29,195</b>		6 Medicare tax withheld <b>423.33</b>	
				7 Social security tips		8 Allocated tips	
				9 Advance EIC payment		10 Dependent care benefits	
d Employee's social security number <b>000-00-6395</b>				11 Nonqualified plans		12a See instructions for box 12	
e Employee's first name and initial Last name <b>Belinda Allen 99 S. 48th St Omaha, NE 68108</b>				13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b	
				14 Other		12c	
						12d	
f Employee's address and ZIP code				15 State Employer's state ID number		16 State wages, tips, etc.	
				17 State income tax		18 Local wages, tips, etc.	
				19 Local income tax		20 Locality name	

**Form W-2 Wage and Tax Statement** **2002** Department of the Treasury—Internal Revenue Service  
**Copy B To Be Filed with Employee's FEDERAL Tax Return.** (Rev. February 2002)  
This information is being furnished to the Internal Revenue Service.

Label

(See instructions on page 19.)

Use the IRS label.

Otherwise, please print or type.

Presidential Election Campaign

For the year Jan. 1-Dec. 31, 2002, or other tax year beginning , 2002, ending , 20
Your first name and initial Last name
Belinda Allen
If a joint return, spouse's first name and initial Last name
Home address (number and street). If you have a P.O. box, see page 19. Apt. no.
99 S. 48th Street
City, town or post office, state, and ZIP code. If you have a foreign address, see page 19.
Omaha, NE 68108

OMB No. 1545-0074
Your social security number
000 00 6395
Spouse's social security number

Important!
You must enter your SSN(s) above.

Filing Status

Check only one box.

Note. Checking "Yes" will not change your tax or reduce your refund.
Do you, or your spouse if filing a joint return, want \$3 to go to this fund?
1 Single
2 Married filing jointly (even if only one had income)
3 Married filing separately. Enter spouse's SSN above and full name here.
4 Head of household (with qualifying person). (See page 19.) If the qualifying person is a child but not your dependent, enter this child's name here.
5 Qualifying widow(er) with dependent child (year spouse died ). (See page 19.)

Exemptions

If more than five dependents, see page 20.

6a Yourself. If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a
6b Spouse
6c Dependents:
(1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) If qualifying child for child tax credit (see page 20)
6d Total number of exemptions claimed

Income

Attach Forms W-2 and W-2G here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 21.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

7 Wages, salaries, tips, etc. Attach Form(s) W-2
8a Taxable interest. Attach Schedule B if required
8b Tax-exempt interest. Do not include on line 8a
9 Ordinary dividends. Attach Schedule B if required
10 Taxable refunds, credits, or offsets of state and local income taxes (see page 22)
11 Alimony received
12 Business income or (loss). Attach Schedule C or C-EZ
13 Capital gain or (loss). Attach Schedule D if required. If not required, check here
14 Other gains or (losses). Attach Form 4797
15a IRA distributions
15b Taxable amount (see page 23)
16a Pensions and annuities
16b Taxable amount (see page 23)
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E
18 Farm income or (loss). Attach Schedule F
19 Unemployment compensation
20a Social security benefits
20b Taxable amount (see page 25)
21 Other income. List type and amount (see page 27)
22 Add the amounts in the far right column for lines 7 through 21. This is your total income

Adjusted Gross Income

23 Educator expenses (see page xx)
24 IRA deduction (see page 27)
25 Student loan interest deduction (see page 28)
26 Tuition and fees deduction (see page XX)
27 Archer MSA deduction. Attach Form 8853
28 Moving expenses. Attach Form 3903
29 One-half of self-employment tax. Attach Schedule SE
30 Self-employed health insurance deduction (see page 30)
31 Self-employed SEP, SIMPLE, and qualified plans
32 Penalty on early withdrawal of savings
33a Alimony paid b Recipient's SSN
34 Add lines 23 through 33a
35 Subtract line 34 from line 22. This is your adjusted gross income

Tax and Credits

Standard Deduction for—

• People who checked any box on line 37a or 37b or who can be claimed as a dependent, see page 31.

- All others: Single, \$4,700; Head of household, \$6,900; Married filing jointly or Qualifying widow(er), \$7,850; Married filing separately, \$3,925

36 Amount from line 35 (adjusted gross income)
37a Check if: You were 65 or older, Blind; Spouse was 65 or older, Blind.
38 Itemized deductions (from Schedule A) or your standard deduction
39 Subtract line 38 from line 36
40 If line 36 is \$103,000 or less, multiply \$3,000 by the total number of exemptions claimed on line 6d.
41 Taxable income. Subtract line 40 from line 39.
42 Tax (see page 33). Check if any tax is from a Form(s) 8814 b Form 4972
43 Alternative minimum tax (see page 34). Attach Form 6251
44 Add lines 42 and 43
45 Foreign tax credit. Attach Form 1116 if required
46 Credit for child and dependent care expenses. Attach Form 2441
47 Credit for the elderly or the disabled. Attach Schedule R
48 Education credits. Attach Form 8863
49 Retirement savings contributions credit. Attach Form 8880
50 Child tax credit (see page XX)
51 Adoption credit. Attach Form 8839
52 Credits from: a Form 8396 b Form 8859
53 Other credits. Check applicable box(es): a Form 3800 b Form 8801 c Specify
54 Add lines 45 through 53. These are your total credits
55 Subtract line 54 from line 44. If line 54 is more than line 44, enter -0-

Other Taxes

56 Self-employment tax. Attach Schedule SE
57 Social security and Medicare tax on tip income not reported to employer. Attach Form 4137
58 Tax on qualified plans, including IRAs, and other tax-favored accounts. Attach Form 5329 if required
59 Advance earned income credit payments from Form(s) W-2
60 Household employment taxes. Attach Schedule H
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Payments

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64 Earned income credit (EIC)
65 Excess social security and tier 1 RRTA tax withheld (see page 51)
66 Additional child tax credit. Attach Form 8812
67 Amount paid with request for extension to file (see page 51)
68 Other payments from: a Form 2439 b Form 4136
69 Add lines 62 through 68. These are your total payments

Refund

Direct deposit? See page 51 and fill in 71b, 71c, and 71d.

70 If line 69 is more than line 61, subtract line 61 from line 69. This is the amount you overpaid
71a Amount of line 70 you want refunded to you
71b Routing number
71c Type: Checking Savings
71d Account number
72 Amount of line 70 you want applied to your 2003 estimated tax

Amount You Owe

73 Amount you owe. Subtract line 69 from line 61. For details on how to pay, see page 52
74 Estimated tax penalty (see page 52)

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 53)? Yes. Complete the following. No
Designee's name Phone no. Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
Your signature Date Your occupation Daytime phone number
Spouse's signature. If a joint return, both must sign. Date Spouse's occupation

Paid Preparer's Use Only

Preparer's signature Date Check if self-employed Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code EIN Phone no.

## Line 50—Child Tax Credit

### What Is the Child Tax Credit?

This credit is for people who have a qualifying child as defined in the instructions for line 6c, column (4), on page 20. It is in addition to the credit for child and dependent care expenses on Form 1040, line 46, and the earned income credit on Form 1040, line 64.

### Three Steps To Take the Child Tax Credit!

- Step 1.** Make sure you have a qualifying child for the child tax credit. See the instructions for line 6c, column (4), on page 20.
- Step 2.** Make sure you checked the box in column (4) of line 6c on Form 1040 for each qualifying child.
- Step 3.** Answer the questions on this page to see if you may use the worksheet on page 38 to figure your credit or if you must use Pub. 972, Child Tax Credit. If you need Pub. 972, see page 7.

### Questions

### Who Must Use Pub. 972



- 1.** Are you excluding income from Puerto Rico **or** are you filing any of the following forms?
- Form 2555 or 2555-EZ (relating to foreign earned income)
  - Form 4563 (exclusion of income for residents of American Samoa)
- No.** *Continue*
- Yes.** You must use Pub. 972 to figure your credit.
- 
- 2.** Is the amount on Form 1040, line 36, more than the amount shown below for your filing status?
- Married filing jointly – \$110,000
  - Single, head of household, or qualifying widow(er) – \$75,000
  - Married filing separately – \$55,000
- No.** *Continue*
- Yes.** You must use Pub. 972 to figure your credit.
- 
- 3.** Are you claiming any of the following credits?
- Adoption credit, Form 8839 (see the instructions for Form 1040, line 51, on page 39)
  - Mortgage interest credit, Form 8396 (see the instructions for Form 1040, line 52, on page 39)
  - District of Columbia first-time homebuyer credit, Form 8859
- No.** Use the worksheet on page 38 to figure your child tax credit.
- Yes.** You must use Pub. 972 to figure your child tax credit. You will also need the form(s) listed above for any credit(s) you are claiming.

**Child Tax Credit Worksheet—Line 50**

*Keep for Your Records*



**Do not** use this worksheet if you answered “Yes” to question 1, 2, or 3 on page 37. Instead, use Pub. 972.



1. Number of qualifying children: \_\_\_\_\_ × \$600. Enter the result. 1

2. Enter the amount from Form 1040, line 44. 2

3. Add the amounts from Form 1040:

Line 45 \_\_\_\_\_

Line 46 + \_\_\_\_\_

Line 47 + \_\_\_\_\_

Line 48 + \_\_\_\_\_

Line 49 + \_\_\_\_\_ Enter the total. 3

4. Are the amounts on lines 2 and 3 the same?

**Yes.**

You cannot take this credit because there is no tax to reduce. However, see the **TIP** below before completing the rest of your Form 1040.

**No.** Subtract line 3 from line 2. 4

5. Is the amount on line 1 more than the amount on line 4?

**Yes.** Enter the amount from line 4. Also, see the **TIP** below.

**No.** Enter the amount from line 1.

**This is your child tax credit.**

5

*Enter this amount on Form 1040, line 50.*



You may be able to take the **additional child tax credit** on Form 1040, line 66, if you answered “Yes” on line 4 or line 5 above.

- First, complete your Form 1040 through line 65.
- Then, use Form 8812 to figure any additional child tax credit.

## Line 64 Earned Income Credit (EIC)

### What Is the EIC?

The EIC is a credit for certain people who work. The credit may give you a refund even if you do not owe any tax.

### To Take the EIC:

- Follow the steps below.
- Complete the worksheet that applies to you **or** let the IRS figure the credit for you.
- If you have a qualifying child, complete and attach Schedule EIC.



If you take the EIC even though you are not eligible and it is determined that your error is due to reckless or intentional disregard of the EIC rules, you will not be allowed to take the credit for 2 years even if you are otherwise eligible to do so. If you fraudulently take the EIC, you will not be allowed to take the credit for 10 years. You may also have to pay penalties.

### Step 1 All Filers

- If, in 2002:
  - 2 children lived with you, is the amount on Form 1040, line 36, less than \$33,178 (\$34,178 if married filing jointly)?
  - 1 child lived with you, is the amount on Form 1040, line 36, less than \$29,201 (\$30,201 if married filing jointly)?
  - No children lived with you, is the amount on Form 1040, line 36, less than \$11,060 (\$12,060 if married filing jointly)?

**Yes.** *Continue* →  **No.** You cannot take the credit.
- Do you, and your spouse if filing a joint return, have a social security number that allows you to work or is valid for EIC purposes (see page 44)?
 

**Yes.** *Continue* →  **No.** You cannot take the credit. Put "No" on the dotted line next to line 64.
- Is your filing status married filing separately?
 

**Yes.** You cannot take the credit.  **No.** *Continue* →
- Are you filing Form 2555 or 2555-EZ (relating to foreign earned income)?
 

**Yes.** You cannot take the credit.  **No.** *Continue* →
- Were you a nonresident alien for any part of 2002?
 

**Yes.** *See Nonresident Aliens on page 44.*  **No.** *Go to Step 2.*

### Step 2 Investment Income

- Add the amounts from Form 1040:
 

Line 8a	_____		
Line 8b	+ _____		
Line 9	+ _____		
Line 13	+ _____		
<b>Investment Income</b>			

- Is your investment income more than \$2,550?
 

**Yes.** *Continue* →  **No.** *Skip the next question; go to Step 3.*
- Are you filing Form 4797 (relating to sales of business property)?
 

**Yes.** *See Form 4797 Filers on page 43.*  **No.** You cannot take the credit.

### Step 3 Who Must Use Pub. 596

Some people must use Pub. 596, Earned Income Credit, to see if they can take the credit. To see if you must use Pub. 596, answer the following questions.

- Are you filing Schedule E?
 

**No.** *Continue* →  **Yes.** →
  - Are you reporting income or a loss from the rental of personal property not used in a trade or business?
 

**No.** *Continue* →  **Yes.** →
  - Are you reporting income on Form 1040, line 21, from Form 8814 (relating to election to report child's interest and dividends)?
 

**No.** *Continue* →  **Yes.** →
  - Did a child live with you in 2002?
 

**Yes.** *Go to Step 4 on page 42.*  **No.** *Go to Step 5 on page 42.*
- You must use Pub. 596 to see if you can take the credit.

To get Pub. 596, see page 7.

Continued from page 41

**Step 4 Qualifying Child**

**A qualifying child is a child who is...**

Your son, daughter, adopted child, stepchild, or grandchild

**or**

Your brother, sister, stepbrother, stepsister, or a descendent of your brother, sister, etc. (for example, your niece or nephew), whom you cared for as your own child

**or**

A foster child (any child placed with you by an authorized placement agency whom you cared for as your own child)

**AND**

**was at the end of 2002...**

Under age 19

**or**

Under age 24 and a student (see page 44)

**or**

Any age and permanently and totally disabled (see page 44)

**AND**

**who...**

Lived with you in the United States for more than half of 2002.

If the child did not live with you for the required time, see Exception to "Time Lived With You" Condition on page 44.

**Note.** If the child was married, see page 44.

1. Look at the qualifying child conditions above. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 2002?

- Yes.** **STOP** You cannot take the credit. Put "No" on the dotted line next to line 64.
- No.** Continue →

2. Do you have at least one child who meets the above conditions to be your qualifying child?

- Yes.** Go to question 3.
- No.** Skip question 3; go to Step 5, question 2.

3. Does the child meet the conditions to be a qualifying child of any other person (other than your spouse if filing a joint return) for 2002?

- Yes.** See *Qualifying Child of More Than One Person* on page 44.
- No.** This child is your qualifying child. The child must have a social security number as defined on page 44 unless the child was born and died in 2002. Skip Step 5; go to Step 6 on page 43.

**Step 5 Filers Without a Qualifying Child**

1. Look at the qualifying child conditions in Step 4. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 2002?

- Yes.** **STOP** You cannot take the credit. Put "No" on the dotted line next to line 64.
- No.** Continue →

2. Can you, or your spouse if filing a joint return, be claimed as a dependent on someone else's 2002 tax return?

- Yes.** **STOP** You cannot take the credit.
- No.** Continue →

3. Were you, or your spouse if filing a joint return, at least age 25 but under age 65 at the end of 2002?

- Yes.** Continue →
- No.** **STOP** You cannot take the credit. Put "No" on the dotted line next to line 64.

4. Was your home, and your spouse's if filing a joint return, in the United States for more than half of 2002? Members of the military stationed outside the United States, see page 44 before you answer.

- Yes.** Go to Step 6 on page 43.
- No.** **STOP** You cannot take the credit. Put "No" on the dotted line next to line 64.

Continued from page 42

**Step 6 Earned Income**

1. Are you filing Schedule SE because you had church employee income of \$108.28 or more?

- Yes.** See Church Employees on this page.
- No.** Continue →

2. Figure earned income:

Form 1040, line 7 \_\_\_\_\_

Subtract, if included on line 7, any:

- Taxable scholarship or fellowship grant not reported on a W-2 form
- Amount paid to an inmate in a penal institution for work (put "PRI" and the amount subtracted on the dotted line next to line 7 of Form 1040)
- Amount received as a pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan (put "DFC" and the amount subtracted on the dotted line next to line 7 of Form 1040). This amount may be shown in box 11 of your W-2 form. If you received such an amount but box 11 is blank, contact your employer for the amount received as a pension or annuity.

**Earned Income =**

3. Were you self-employed, or are you filing Schedule SE because you had church employee income, or are you filing Schedule C or C-EZ as a statutory employee?

- Yes.** Skip question 4 and Step 7; go to Worksheet B on page 46.
- No.** Continue →

4. If you have:

- 2 or more qualifying children, is your earned income less than \$33,178 (\$34,178 if married filing jointly)?
- 1 qualifying child, is your earned income less than \$29,201 (\$30,201 if married filing jointly)?
- No qualifying children, is your earned income less than \$11,060 (\$12,060 if married filing jointly)?

- Yes.** Go to Step 7.
- No.** You cannot take the credit.

**Step 7 How To Figure the Credit**

1. Do you want the IRS to figure the credit for you?

- Yes.** See Credit Figured by the IRS on this page.
- No.** Go to Worksheet A on page 45.

**Definitions and Special Rules** (listed in alphabetical order)

**Adopted Child.** Any child placed with you by an authorized placement agency for legal adoption. An authorized placement agency includes any person authorized by state law to place children for legal adoption. The adoption does not have to be final.

**Church Employees.** Determine how much of the amount on Form 1040, line 7, was also reported on Schedule SE, line 5a. Subtract that amount from the amount on Form 1040, line 7, and enter the result in the first space of Step 6, line 2. Be sure to answer "Yes" on line 3 of Step 6.

**Clergy.** If you are filing Schedule SE and the amount on line 2 of that schedule includes an amount that was also reported on Form 1040, line 7:

1. Put "Clergy" on the dotted line next to line 64 of Form 1040.
2. Determine how much of the amount on Form 1040, line 7, was also reported on Schedule SE, line 2.
3. Subtract that amount from the amount on Form 1040, line 7. Enter the result in the first space of Step 6, line 2.
4. Be sure to answer "Yes" on line 3 of Step 6.

**Credit Figured by the IRS.** To have the IRS figure the credit for you:

1. Put "EIC" on the dotted line next to line 64 of Form 1040.
2. If you have a qualifying child, complete and attach Schedule EIC. If your EIC for a year after 1996 was reduced or disallowed, see Form 8862, Who Must File on page 44.

**Exception to "Time Lived With You" Condition.** A child is considered to have lived with you for all of 2002 if the child was born or died in 2002 and your home was this child's home for the entire time he or she was alive in 2002. Temporary absences, such as for school, vacation, medical care, or detention in a juvenile facility, count as time lived at home. If your child is presumed to have been kidnapped by someone who is not a family member, see Pub. 596 to find out if that child is a qualifying child for the EIC. To get Pub. 596, see page 7. If you were in the military stationed outside the United States, see Members of the Military on page 44.

**Form 4797 Filers.** If the amount on Form 1040, line 13, includes an amount from Form 4797, you must use Pub. 596 to see if you can take the EIC. To get Pub. 596, see page 7. Otherwise, stop; you cannot take the EIC.

(Continued on page 44)

**Worksheet A—Earned Income Credit (EIC)—Line 64**

Keep for Your Records

**Before you begin:** ✓ Be sure you are using the correct worksheet. **Do not** use this worksheet if you were self-employed, or you are filing Schedule SE because you had church employee income, or you are filing Schedule C or C-EZ as a statutory employee. Instead, use Worksheet B on page 46.



**Part 1**

**All Filers Using Worksheet A**

1. Enter your earned income from Step 6 on page 43. 1

2. Look up the amount on line 1 above in the EIC Table on pages 48–53 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here. 2

If line 2 is zero, You cannot take the credit. Put “No” on the dotted line next to line 64.

3. Enter the amount from Form 1040, line 36. 3

4. Are the amounts on lines 3 and 1 the same?  
 **Yes.** Skip line 5; enter the amount from line 2 on line 6.  
 **No.** Go to line 5.

**Part 2**

**Filers Who Answered “No” on Line 4**

5. If you have:  
 • No qualifying children, is the amount on line 3 less than \$6,150 (\$7,150 if married filing jointly)?  
 • 1 or more qualifying children, is the amount on line 3 less than \$13,550 (\$14,550 if married filing jointly)?

**Yes.** Leave line 5 blank; enter the amount from line 2 on line 6.  
 **No.** Look up the amount on line 3 in the EIC Table on pages 48–53 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here.  
 Look at the amounts on lines 5 and 2. Then, enter the **smaller** amount on line 6.

5

**Part 3**

**Your Earned Income Credit**

6. This is your earned income credit. 6

Enter this amount on Form 1040, line 64.

**Reminder—**

✓ If you have a qualifying child, complete and attach Schedule EIC.



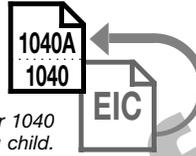
If your EIC for a year after 1996 was reduced or disallowed, see page 44 to find out if you must file Form 8862 to take the credit for 2002.

**SCHEDULE EIC**  
**(Form 1040A or 1040)**

Department of the Treasury  
Internal Revenue Service (99)

**Earned Income Credit**  
**Qualifying Child Information**

Complete and attach to Form 1040A or 1040  
only if you have a qualifying child.



OMB No. 1545-0074

**2002**

Attachment  
Sequence No. **43**

Name(s) shown on return

Belinda Allen

Your social security number

000 : 00 : 6395

**Before you begin:** See the instructions for Form 1040A, line 41, or Form 1040, line 64, to make sure that  
(a) you can take the EIC and (b) you have a qualifying child.



- If you take the EIC even though you are not eligible, you may not be allowed to take the credit for up to 10 years. See back of schedule for details.
- It will take us longer to process your return and issue your refund if you do not fill in all lines that apply for each qualifying child.
- Be sure the child's name on line 1 and social security number (SSN) on line 2 agree with the child's social security card. Otherwise, at the time we process your return, we may reduce or disallow your EIC. If the name or SSN on the child's social security card is not correct, call the Social Security Administration at 1-800-772-1213.

**Qualifying Child Information**

**Child 1**

**Child 2**

	First name	Last name	First name	Last name
<b>1 Child's name</b> If you have more than two qualifying children, you only have to list two to get the maximum credit.				
<b>2 Child's SSN</b> The child must have an SSN as defined on page 42 of the Form 1040A instructions or page 44 of the Form 1040 instructions unless the child was born and died in 2002. If your child was born and died in 2002 and did not have an SSN, enter "Died" on this line and attach a copy of the child's birth certificate.				
<b>3 Child's year of birth</b>	Year ____ ____ ____ ____ <i>If born after 1983, skip lines 4a and 4b; go to line 5.</i>		Year ____ ____ ____ ____ <i>If born after 1983, skip lines 4a and 4b; go to line 5.</i>	
<b>4 If the child was born before 1984—</b>				
<b>a</b> Was the child under age 24 at the end of 2002 and a student?	<input type="checkbox"/> <b>Yes.</b> <i>Go to line 5.</i>	<input type="checkbox"/> <b>No.</b> <i>Continue</i>	<input type="checkbox"/> <b>Yes.</b> <i>Go to line 5.</i>	<input type="checkbox"/> <b>No.</b> <i>Continue</i>
<b>b</b> Was the child permanently and totally disabled during any part of 2002?	<input type="checkbox"/> <b>Yes.</b> <i>Continue</i>	<input type="checkbox"/> <b>No.</b> The child is not a qualifying child.	<input type="checkbox"/> <b>Yes.</b> <i>Continue</i>	<input type="checkbox"/> <b>No.</b> The child is not a qualifying child.
<b>5 Child's relationship to you</b> (for example, son, daughter, grandchild, foster child, etc.)				
<b>6 Number of months child lived with you in the United States during 2002</b>				
<ul style="list-style-type: none"> <li>• If the child lived with you for more than half of 2002 but less than 7 months, enter "7".</li> <li>• If the child was born or died in 2002 and your home was the child's home for the entire time he or she was alive during 2002, enter "12".</li> </ul>	_____ months <i>Do not enter more than 12 months.</i>		_____ months <i>Do not enter more than 12 months.</i>	



You may also be able to take the additional child tax credit if your child (a) was under age 17 at the end of 2002, (b) is claimed as your dependent on line 6c of Form 1040A or Form 1040, and (c) is a U.S. citizen or resident alien. For more details, see the instructions for line 42 of Form 1040A or line 66 of Form 1040.

For Paperwork Reduction Act Notice, see Form 1040A or 1040 instructions.

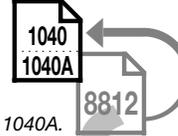
Cat. No. 13339M

Schedule EIC (Form 1040A or 1040) 2002

# Additional Child Tax Credit

Department of the Treasury  
Internal Revenue Service

Complete and attach to Form 1040 or Form 1040A.



OMB No. 1545-1620

## 2002

Attachment  
Sequence No. **47**

Name(s) shown on return

Belinda Allen

Your social security number

000 00 6395

### Part I All Filers

- 1 Enter the amount from line 1 of your Child Tax Credit Worksheet on page 38 of the Form 1040 instructions or page 37 of the Form 1040A instructions. If you used Pub. 972, enter the amount from line 8 of the worksheet on page 3 of the publication . . . . .
- 2 Enter the amount from Form 1040, line 50, or Form 1040A, line 33 . . . . .
- 3 Subtract line 2 from line 1. If zero, **stop**; you cannot take this credit . . . . .
- 4 Enter your total taxable earned income. See the instructions on back . . . . .
- 5 Is the amount on line 4 more than \$10,350?  
 **No.** Leave line 5 blank and enter -0- on line 6.  
 **Yes.** Subtract \$10,350 from the amount on line 4. Enter the result . . . . .
- 6 Multiply the amount on line 5 by 10% (.10) and enter the result . . . . .  
**Next.** Do you have three or more qualifying children?  
 **No.** If line 6 is zero, **stop**; you cannot take this credit. Otherwise, skip Part II and enter the **smaller** of line 3 or line 6 on line 13.  
 **Yes.** If line 6 is equal to or more than line 3, skip Part II and enter the amount from line 3 on line 13. Otherwise, go to line 7.

1		
2		
3		
4		
5		
6		

### Part II Certain Filers Who Have Three or More Qualifying Children

- 7 Enter the total of the withheld social security and Medicare taxes from Form(s) W-2, boxes 4 and 6. If married filing jointly, include your spouse's amounts with yours. If you worked for a railroad, see the instructions on back . . . . .
- 8 **1040 filers:** Enter the total of the amounts from Form 1040, lines 29 and 57, plus any uncollected social security and Medicare or tier 1 RRTA taxes included on line 61.  
**1040A filers:** Enter -0-.
- 9 Add lines 7 and 8 . . . . .
- 10 **1040 filers:** Enter the total of the amounts from Form 1040, lines 64 and 65.  
**1040A filers:** Enter the total of the amount from Form 1040A, line 41, plus any excess social security and tier 1 RRTA taxes withheld that you entered to the left of line 43 (see the instructions on back).
- 11 Subtract line 10 from line 9. If zero or less, enter -0- . . . . .
- 12 Enter the **larger** of line 6 or line 11 here . . . . .  
**Next,** enter the **smaller** of line 3 or line 12 on line 13.

7		
8		
9		
10		
11		
12		

### Part III Your Additional Child Tax Credit

- 13 This is your additional child tax credit . . . . .

13		
----	--	--



Enter this amount on  
Form 1040, line 66, or  
Form 1040A, line 42.

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

## **PART C – Pension Earner**

- C-1 The social security benefits worksheet uses all of the following items to compute taxable social security except:
- a. Student loan interest deduction
  - b. Tax-exempt interest
  - c. Capital gain/loss
  - d. IRA deduction
  - e. None of the above
- C-2 Albert and Sharon are both 56 years old and file a joint return. They have owned and lived in their main home for 16 years. In 2002, they sold their home for \$475,000. The adjusted basis in the home sold was \$105,000. They purchased another home for \$310,000. They did not receive a Form 1099-S for the sale. How do they treat the sale of this home?
- a. They must report the sale on Schedule D and show the exclusion amount.
  - b. They must report the sale on Schedule D because they are over 55.
  - c. They do not have to report the sale and gain on their home.
  - d. None of the above
  - e. Report sale on Form 2119 — Sale of Home
- C-3 Benjamin received a Form 1099-R with \$16,433 in Box 1 and \$38,900 in Box 9b. Benjamin is single and was 65 years old in November 2000 when he retired. When you complete his Simplified Method Worksheet, what is the number you put on line 3 of the worksheet?
- a. 260
  - b. 240
  - c. 310
  - d. 300
  - e. None of the above
- C-4 Which statement best describes the Form 1040, Schedule R?
- a. A credit for persons over 65 with low incomes
  - b. A credit reduced by taxable social security or taxable railroad retirement benefits
  - c. A credit for a single person, under 65 on disability
  - d. A credit for persons 65 or older or persons under 65 and totally and permanently disabled
  - e. None of the above

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

- C-5 Lester paid \$3,400 for 75 shares of QRM stock (including commission). Later, Lester received 10 additional shares from the company as a stock dividend. In 2002, he sold 20 shares and kept the rest. What is the total cost basis of the stock he sold?
- a. \$0
  - b. \$740
  - c. \$800
  - d. \$906
  - e. None of the above
- C-6 John hands you a Form 1099-DIV from ABC Insurance Company showing proceeds from the sale of stock of \$1,840 and withholding of \$368. He tells you he never bought stock in this company but does have a life insurance policy through them that he took out three years ago. A note on the form says "Demutualization." Which statements are true?
- a. His holding period in this transaction is short term.
  - b. His holding period in this transaction is long term.
  - c. His cost basis is 20% of the premiums paid before the stock was sold.
  - d. His cost basis is zero.
  - e. Both b and d

**For question C-7, complete the Form 1040, Simplified Method Worksheet using the following scenario.**

Arliss Drake is age 62 and single. He received his first pension check for \$2,000 on July 1, 2002, and the same amount each month thereafter. His cost in the plan was \$32,500.

- C-7 What amount will be shown on his Form 1040, Line 16b?
- a. \$9,250
  - b. \$11,190
  - c. \$11,250
  - d. \$13,250
  - e. -0-

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**



Attach Form(s) 1099-R to Form 1040 if any Federal income tax was withheld.

**Fully Taxable Pensions and Annuities**

If your pension or annuity is fully taxable, enter it on line 16b; **do not** make an entry on line 16a. Your payments are fully taxable if **either** of the following applies.

- You did not contribute to the cost (see page 25) of your pension or annuity or

- You got your entire cost back tax free before 2002.

Fully taxable pensions and annuities also include military retirement pay shown on Form 1099-R. For details on military disability pensions, see **Pub. 525**. If you received a **Form RRB-1099-R**, see **Pub. 575** to find out how to report your benefits.

**Partially Taxable Pensions and Annuities**

Enter the total pension or annuity payments you received in 2002 on line 16a. If your

Form 1099-R does not show the taxable amount, you must use the General Rule explained in **Pub. 939** to figure the taxable part to enter on line 16b. But if your annuity starting date (defined on page 25) was **after** July 1, 1986, see page 25 to find out if you must use the Simplified Method to figure the taxable part.

You can ask the IRS to figure the taxable part for you for an \$85 fee. For details, see **Pub. 939**.

*(Continued on page 25)*

**Simplified Method Worksheet—Lines 16a and 16b**

*Keep for Your Records*

**Before you begin:** ✓ If you are the beneficiary of a deceased employee or former employee who died **before** August 21, 1996, see **Pub. 939** to find out if you are entitled to a death benefit exclusion of up to \$5,000. If you are, include the exclusion in the amount entered on line 2 below.



**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 16b. Enter the total pension or annuity payments received in 2002 on Form 1040, line 16a.

1. Enter the total pension or annuity payments received in 2002. Also, enter this amount on Form 1040, line 16a . . . . .	1.	<input type="text"/>
2. Enter your cost in the plan at the annuity starting date . . . . .	2.	<input type="text"/>
3. Enter the appropriate number from <b>Table 1</b> below. <b>But</b> if your annuity starting date was <b>after</b> 1997 <b>and</b> the payments are for your life and that of your beneficiary, enter the appropriate number from <b>Table 2</b> below . . . . .	3.	<input type="text"/>
4. Divide line 2 by the number on line 3 . . . . .	4.	<input type="text"/>
5. Multiply line 4 by the number of months for which this year's payments were made. If your annuity starting date was <b>before</b> 1987, skip lines 6 and 7 and enter this amount on line 8. Otherwise, go to line 6 . . . . .	5.	<input type="text"/>
6. Enter the amount, if any, recovered tax free in years after 1986 . . . . .	6.	<input type="text"/>
7. Subtract line 6 from line 2 . . . . .	7.	<input type="text"/>
8. Enter the <b>smaller</b> of line 5 or line 7 . . . . .	8.	<input type="text"/>
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 16b. If your Form 1099-R shows a larger amount, use the amount on this line instead of the amount from Form 1099-R . . . . .	9.	<input type="text"/>

**Table 1 for Line 3 Above**

**AND your annuity starting date was—**

<b>IF the age at annuity starting date (see page 25) was . . .</b>	<b>before November 19, 1996, enter on line 3 . . .</b>	<b>after November 18, 1996, enter on line 3 . . .</b>
55 or under	300	360
56–60	260	310
61–65	240	260
66–70	170	210
71 or older	120	160

**Table 2 for Line 3 Above**

<b>IF the combined ages at annuity starting date (see page 25) were . . .</b>	<b>THEN enter on line 3 . . .</b>
110 or under	410
111–120	360
121–130	310
131–140	260
141 or older	210

*Need more information or forms? See page 7.*

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

**For question C-8 through C-10, complete Form 1040 through Line 20b using the scenario below. Do not complete the rest of the return.**

Paul Birch, (born 11/26/1931) and Susan Birch (born 8/26/1939) are retired and filing a joint tax return. They are both retired and receive pensions from their former employers as well as social security benefits.

They received \$4,689.26 interest from Hastings Savings Bank. They also received \$500 in tax-exempt interest from a Kansas City, Missouri, municipal bond. They have no other adjustments to income.

- C-8 How much taxable pension income will be reported on Form 1040, Line 16b?
- a. \$16,451
  - b. \$18,916
  - c. \$25,842
  - d. \$35,367
  - e. None of the above
- C-9 What amount is on the Social Security Benefits Worksheet, Line 5?
- a. \$40,056
  - b. \$50,172
  - c. \$50,672
  - d. \$60,288
  - e. \$40,556
- C-10 How much of their combined Social Security benefits will be taxable on Form 1040, Line 20b?
- a. \$11,171
  - b. \$11,671
  - c. \$16,677
  - d. \$17,197
  - e. None of the above

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

9898  VOID  CORRECTED

PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution \$ 18,916	OMB No. 1545-0119 <b>2002</b> Form 1099-R		<b>Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</b>
		2a Taxable amount \$ 18,916			
		2b Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>		<b>Copy A For Internal Revenue Service Center</b>
PAYER'S Federal identification number 78-4567891	RECIPIENT'S identification number 000-00-3002	3 Capital gain (included in box 2a) \$	4 Federal income tax withheld \$ 1,400		
RECIPIENT'S name Paul Birch		5 Employee contributions or insurance premiums \$	6 Net unrealized appreciation in employer's securities \$		For Privacy Act and Paperwork Reduction Act Notice, see the <b>2002 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>
Street address (including apt. no.) 123 Green St Claremont CA 91711		7 Distribution code 7	IRA/SEP/SIMPLE <input type="checkbox"/>	8 Other \$ %	
City, state, and ZIP code		9a Your percentage of total distribution %	9b Total employee contributions \$		
Account number (optional)		10 State tax withheld \$	11 State/Payer's state no.		12 State distribution \$
		13 Local tax withheld \$	14 Name of locality		15 Local distribution \$

Form 1099-R

Cat. No. 14436Q

Department of the Treasury - Internal Revenue Service

9898  VOID  CORRECTED

PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution \$ 16,451	OMB No. 1545-0119 <b>2002</b> Form 1099-R		<b>Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</b>
		2a Taxable amount \$ 16,451			
		2b Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>		<b>Copy A For Internal Revenue Service Center</b>
PAYER'S Federal identification number 78-1246789	RECIPIENT'S identification number 000-00-3022	3 Capital gain (included in box 2a) \$	4 Federal income tax withheld \$ 1,250		
RECIPIENT'S name Susan Birch		5 Employee contributions or insurance premiums \$	6 Net unrealized appreciation in employer's securities \$		For Privacy Act and Paperwork Reduction Act Notice, see the <b>2002 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>
Street address (including apt. no.) 123 Green St Claremont CA 91711		7 Distribution code 7	IRA/SEP/SIMPLE <input type="checkbox"/>	8 Other \$ %	
City, state, and ZIP code		9a Your percentage of total distribution %	9b Total employee contributions \$		
Account number (optional)		10 State tax withheld \$	11 State/Payer's state no.		12 State distribution \$
		13 Local tax withheld \$	14 Name of locality		15 Local distribution \$

Form 1099-R

Cat. No. 14436Q

Department of the Treasury - Internal Revenue Service

**FORM SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT**

<b>2002</b> • PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME. • SEE THE REVERSE FOR MORE INFORMATION.		
Box 1. Name <b>Paul J. Birch</b>		Box 2. Beneficiary's Social Security Number <b>000-00-3002</b>
Box 3. Benefits Paid in 2002 <b>10,988.00</b>	Box 4. Benefits Repaid to SSA in 2002	Box 5. Net Benefits for 2002 (Box 3 minus Box 4) <b>10,988.00</b>
<b>DESCRIPTION OF AMOUNT IN BOX 3</b> Paid by check or direct deposit \$10,388.00 Medicare premiums deducted 600.00 Total \$10,988.00		<b>DESCRIPTION OF AMOUNT IN BOX 4</b> NONE
		Box 6. Voluntary Federal Income Tax Withholding <b>0</b>
		Box 7. Address  <b>123 Green Street Claremont, CA 91711</b>
		Box 8. Claim Number (Use this number if you need to contact SSA.)

Form SSA-1099-SM (1-2002)

**DO NOT RETURN THIS FORM TO SSA OR IRS**

**FORM SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT**

<b>2002</b> • PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME. • SEE THE REVERSE FOR MORE INFORMATION.		
Box 1. Name <b>Susan Birch</b>		Box 2. Beneficiary's Social Security Number <b>000-00-3022</b>
Box 3. Benefits Paid in 2002 <b>9,244.00</b>	Box 4. Benefits Repaid to SSA in 2002	Box 5. Net Benefits for 2002 (Box 3 minus Box 4) <b>9,244.00</b>
<b>DESCRIPTION OF AMOUNT IN BOX 3</b>		<b>DESCRIPTION OF AMOUNT IN BOX 4</b> NONE
		Box 6. Voluntary Federal Income Tax Withholding
		Box 7. Address  <b>123 Green Street Claremont, CA 91711</b>
		Box 8. Claim Number (Use this number if you need to contact SSA.)

Form SSA-1099-SM (1-2002)

**DO NOT RETURN THIS FORM TO SSA OR IRS**

Label

(See instructions on page 19.)

Use the IRS label.

Otherwise, please print or type.

Presidential Election Campaign

(See page 19.)

For the year Jan. 1-Dec. 31, 2002, or other tax year beginning 2002, ending 20
Your first name and initial Paul Last name Birch
If a joint return, spouse's first name and initial Susan Last name Birch
Home address (number and street). If you have a P.O. box, see page 19. 123 Green Street Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 19. Claremont, CA 91711

OMB No. 1545-0074
Your social security number 000 00 3002
Spouse's social security number 000 00 3022

Important! You must enter your SSN(s) above.

Filing Status

Check only one box.

Note. Checking "Yes" will not change your tax or reduce your refund. Do you, or your spouse if filing a joint return, want \$3 to go to this fund?
1 Single
2 Married filing jointly (even if only one had income)
3 Married filing separately. Enter spouse's SSN above and full name here.
4 Head of household (with qualifying person). (See page 19.) If the qualifying person is a child but not your dependent, enter this child's name here.
5 Qualifying widow(er) with dependent child (year spouse died). (See page 19.)

Exemptions

If more than five dependents, see page 20.

6a Yourself. If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a.
b Spouse
c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if qualifying child for child tax credit (see page 20)
d Total number of exemptions claimed

No. of boxes checked on 6a and 6b
No. of children on 6c who:
• lived with you
• did not live with you due to divorce or separation (see page 20)
Dependents on 6c not entered above
Add numbers on lines above

Income

Attach Forms W-2 and W-2G here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 21.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

7 Wages, salaries, tips, etc. Attach Form(s) W-2
8a Taxable interest. Attach Schedule B if required
b Tax-exempt interest. Do not include on line 8a
9 Ordinary dividends. Attach Schedule B if required
10 Taxable refunds, credits, or offsets of state and local income taxes (see page 22)
11 Alimony received
12 Business income or (loss). Attach Schedule C or C-EZ
13 Capital gain or (loss). Attach Schedule D if required. If not required, check here
14 Other gains or (losses). Attach Form 4797
15a IRA distributions
15b Taxable amount (see page 23)
16a Pensions and annuities
16b Taxable amount (see page 23)
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E
18 Farm income or (loss). Attach Schedule F
19 Unemployment compensation
20a Social security benefits
20b Taxable amount (see page 25)
21 Other income. List type and amount (see page 27)
22 Add the amounts in the far right column for lines 7 through 21. This is your total income

Adjusted Gross Income

23 Educator expenses (see page xx)
24 IRA deduction (see page 27)
25 Student loan interest deduction (see page 28)
26 Tuition and fees deduction (see page XX)
27 Archer MSA deduction. Attach Form 8853
28 Moving expenses. Attach Form 3903
29 One-half of self-employment tax. Attach Schedule SE
30 Self-employed health insurance deduction (see page 30)
31 Self-employed SEP, SIMPLE, and qualified plans
32 Penalty on early withdrawal of savings
33a Alimony paid b Recipient's SSN
34 Add lines 23 through 33a
35 Subtract line 34 from line 22. This is your adjusted gross income

Name(s) shown on Form 1040. Do not enter name and social security number if shown on other side.

Your social security number

Paul and Susan Birch

000 00 3002

Schedule B—Interest and Ordinary Dividends

Attachment Sequence No. 08

Part I Interest

(See page B-1 and the instructions for Form 1040, line 8a.)

1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see page B-1 and list this interest first. Also, show that buyer's social security number and address

Amount

Note. If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

2 Add the amounts on line 1
3 Excludable interest on series EE and I U.S. savings bonds issued after 1989 from Form 8815, line 14. You must attach Form 8815
4 Subtract line 3 from line 2. Enter the result here and on Form 1040, line 8a

Note. If line 4 is over \$400, you must complete Part III.

Part II Ordinary Dividends

(See page B-1 and the instructions for Form 1040, line 9.)

5 List name of payer. Include only ordinary dividends. If you received any capital gain distributions, see the instructions for Form 1040, line 13

Amount

Note. If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

6 Add the amounts on line 5. Enter the total here and on Form 1040, line 9

Note. If line 6 is over \$400, you must complete Part III.

Part III Foreign Accounts and Trusts

(See page B-2.)

You must complete this part if you (a) had over \$400 of taxable interest or ordinary dividends; (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

Yes No

7a At any time during 2002, did you have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account? See page B-2 for exceptions and filing requirements for Form TD F 90-22.1
b If "Yes," enter the name of the foreign country
8 During 2002, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See page B-2

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule B (Form 1040) 2002



**Social Security Benefits Worksheet—Lines 20a and 20b**

*Keep for Your Records*

**Before you begin:**

- ✓ Complete Form 1040, lines 21, 23, 24, and 27 through 33a, if they apply to you.
- ✓ Figure any amount to be entered on the dotted line next to line 34 (see page 30).
- ✓ If you are married filing separately and you **lived apart** from your spouse for all of 2002, enter “D” to the right of the word “benefits” on line 20a.
- ✓ Be sure you have read the **Exception** on page 25 to see if you can use this worksheet instead of a publication to find out if any of your benefits are taxable.



<p><b>1.</b> Enter the total amount from <b>box 5</b> of <b>all your Forms SSA-1099 and RRB-1099</b> . . . . .</p> <p><b>2.</b> Enter one-half of line 1 . . . . .</p> <p><b>3.</b> Add the amounts on Form 1040, lines 7, 8a, 9 through 14, 15b, 16b, 17 through 19, and 21. Do not include amounts from box 5 of Forms SSA-1099 or RRB-1099 . . . . .</p> <p><b>4.</b> Enter the amount, if any, from Form 1040, line 8b . . . . .</p> <p><b>5.</b> Add lines 2, 3, and 4 . . . . .</p> <p><b>6.</b> Add the amounts on Form 1040, lines 23, 24, and 27 through 33a, and any amount you entered on the dotted line next to line 34 . . . . .</p> <p><b>7.</b> Is the amount on line 6 less than the amount on line 5?</p> <p><input type="checkbox"/> <b>No.</b>  None of your social security benefits are taxable.</p> <p><input type="checkbox"/> <b>Yes.</b> Subtract line 6 from line 5 . . . . .</p> <p><b>8.</b> Enter: \$25,000 if single, head of household, qualifying widow(er), or married filing separately and you <b>lived apart</b> from your spouse for all of 2002; \$32,000 if married filing jointly; -0- if married filing separately and you lived with your spouse at any time in 2002. . . . .</p> <p><b>9.</b> Is the amount on line 8 less than the amount on line 7?</p> <p><input type="checkbox"/> <b>No.</b>  None of your social security benefits are taxable. You do not have to enter any amounts on lines 20a or 20b of Form 1040. <b>But</b> if you are married filing separately and you <b>lived apart</b> from your spouse for all of 2002, enter -0- on line 20b. Be sure you entered “D” to the right of the word “benefits” on line 20a.</p> <p><input type="checkbox"/> <b>Yes.</b> Subtract line 8 from line 7 . . . . .</p> <p><b>10.</b> Enter: \$9,000 if single, head of household, qualifying widow(er), or married filing separately and you <b>lived apart</b> from your spouse for all of 2002; \$12,000 if married filing jointly; -0- if married filing separately and you lived with your spouse at any time in 2002. . . . .</p> <p><b>11.</b> Subtract line 10 from line 9. If zero or less, enter -0- . . . . .</p> <p><b>12.</b> Enter the <b>smaller</b> of line 9 or line 10. . . . .</p> <p><b>13.</b> Enter one-half of line 12 . . . . .</p> <p><b>14.</b> Enter the <b>smaller</b> of line 2 or line 13. . . . .</p> <p><b>15.</b> Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- . . . . .</p> <p><b>16.</b> Add lines 14 and 15 . . . . .</p> <p><b>17.</b> Multiply line 1 by 85% (.85). . . . .</p> <p><b>18. Taxable social security benefits.</b> Enter the <b>smaller</b> of line 16 or line 17 . . . . .</p> <ul style="list-style-type: none"> <li>• Enter the amount from line 1 above on Form 1040, line 20a.</li> <li>• Enter the amount from line 18 above on Form 1040, line 20b.</li> </ul>	<p><b>1.</b> _____</p> <p><b>2.</b> _____</p> <p><b>3.</b> _____</p> <p><b>4.</b> _____</p> <p><b>5.</b> _____</p> <p><b>6.</b> _____</p> <p><b>7.</b> _____</p> <p><b>8.</b> _____</p> <p><b>9.</b> _____</p> <p><b>10.</b> _____</p> <p><b>11.</b> _____</p> <p><b>12.</b> _____</p> <p><b>13.</b> _____</p> <p><b>14.</b> _____</p> <p><b>15.</b> _____</p> <p><b>16.</b> _____</p> <p><b>17.</b> _____</p> <p><b>18.</b> _____</p>
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**TIP** If part of your benefits are taxable for 2002 **and** they include benefits paid in 2002 that were for an earlier year, you may be able to reduce the taxable amount. See Pub. 915 for details.

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

**For questions C-11 and C-12, complete a Capital Loss Carryover Worksheet using the completed Schedule D and information below.**

Form 1040, Line 39, is \$(1,900.00)

C-11 What is the Short Term Capital Loss Carryover to 2003, if any (Worksheet Line 8)?

- a. 0
- b. \$600
- c. \$800
- d. None of the above
- e. \$1900

C-12 What is his Long Term Capital Loss Carryover to 2003, if any (Worksheet Line 13).

- a. 0
- b. \$1,900
- c. \$2,100
- d. \$2,700
- e. None of the above

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

**SCHEDULE D  
(Form 1040)**

**Capital Gains and Losses**

OMB No. 1545-0074

**2002**

Attachment  
Sequence No. **12**

Department of the Treasury  
Internal Revenue Service (99)

▶ **Attach to Form 1040.** ▶ **See Instructions for Schedule D (Form 1040).**  
▶ **Use Schedule D-1 to list additional transactions for lines 1 and 8.**

Name(s) shown on Form 1040

Peggy Brown

Your social security number

000 00 5412

**Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less**

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-5 of the instructions)	(e) Cost or other basis (see page D-5 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)	(g) 28% rate gain or (loss) *
1						
2 Enter your short-term totals, if any, from Schedule D-1, line 2 . . . . .		2				
3 <b>Total short-term sales price amounts.</b> Add lines 1 and 2 in column (d) . . . . .		3				
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824 . . . . .				4		
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 . . . . .				5		
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your 2001 Capital Loss Carryover Worksheet . . . . .				6	( 600 )	
7 <b>Net short-term capital gain or (loss).</b> Combine lines 1 through 6 in column (f). . . . .				7	(600)	

**Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year**

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-5 of the instructions)	(e) Cost or other basis (see page D-5 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)	(g) 28% rate gain or (loss) *
8						
9 Enter your long-term totals, if any, from Schedule D-1, line 9 . . . . .		9				
10 <b>Total long-term sales price amounts.</b> Add lines 8 and 9 in column (d) . . . . .		10				
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824 . . . . .				11		
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 . . . . .				12		
13 Capital gain distributions. See page D-1 of the instructions . . . . .				13		
14 Long-term capital loss carryover. Enter in both columns (f) and (g) the amount, if any, from line 13 of your 2001 Capital Loss Carryover Worksheet . . . . .				14	( 2100 )	( )
15 Combine lines 8 through 14 in column (g) . . . . .				15		
16 <b>Net long-term capital gain or (loss).</b> Combine lines 8 through 14 in column (f) <b>Next:</b> Go to Part III on the back.				16	(2100)	

\* **28% rate gain or loss** includes all "collectibles gains and losses" (as defined on page D-6 of the instructions) and up to 50% of the eligible gain on qualified small business stock (see page D-4 of the instructions).

**Part III Taxable Gain or Deductible Loss**

<p><b>17</b> Combine lines 7 and 16 and enter the result. If a loss, go to line 18. If a gain, enter the gain on Form 1040, line 13, and complete Form 1040 through line 41 . . . . .</p> <p><b>Next:</b> • If both lines 16 and 17 are gains <b>and</b> Form 1040, line 41, is more than zero, complete Part IV below. • Otherwise, skip the rest of Schedule D and complete Form 1040.</p>	<b>17</b>	(2,700)	
<p><b>18</b> If line 17 is a loss, enter here and on Form 1040, line 13, the <b>smaller</b> of (a) that loss or (b) (\$3,000) (or, if married filing separately, (\$1,500)). Then complete Form 1040 through line 39</p> <p><b>Next:</b> • If the loss on line 17 is more than the loss on line 18 or if Form 1040, line 39, is less than zero, skip <b>Part IV</b> below and complete the <b>Capital Loss Carryover Worksheet</b> on page D-6 of the instructions before completing the rest of Form 1040. • Otherwise, skip <b>Part IV</b> below and complete the rest of Form 1040.</p>	<b>18</b>	( 2700 )	

**Part IV Tax Computation Using Maximum Capital Gains Rates**

<p><b>19</b> Enter your unrecaptured section 1250 gain, if any, from line 17 of the worksheet on page D-7 of the instructions . . . . .</p> <p><b>If line 15 or line 19 is more than zero, complete the worksheet on page D-9 of the instructions to figure the amount to enter on lines 22, 29, and 40 below, and skip all other lines below. Otherwise, go to line 20.</b></p>	<b>19</b>			
<p><b>20</b> Enter your taxable income from Form 1040, line 41 . . . . .</p>	<b>20</b>			
<p><b>21</b> Enter the <b>smaller</b> of line 16 or line 17 of Schedule D . . . . .</p>	<b>21</b>			
<p><b>22</b> If you are deducting investment interest expense on Form 4952, enter the amount from Form 4952, line 4e. Otherwise, enter -0-</p>	<b>22</b>			
<p><b>23</b> Subtract line 22 from line 21. If zero or less, enter -0-</p>	<b>23</b>			
<p><b>24</b> Subtract line 23 from line 20. If zero or less, enter -0-</p>	<b>24</b>			
<p><b>25</b> Figure the tax on the amount on line 24. Use the Tax Table or Tax Rate Schedules, whichever applies</p>	<b>25</b>			
<p><b>26</b> Enter the <b>smaller</b> of:</p> <ul style="list-style-type: none"> <li>• The amount on line 20 or</li> <li>• \$46,700 if married filing jointly or qualifying widow(er); \$27,950 if single; \$37,450 if head of household; or \$23,350 if married filing separately</li> </ul> <p><b>If line 26 is greater than line 24, go to line 27. Otherwise, skip lines 27 through 33 and go to line 34.</b></p>	<b>26</b>			
<p><b>27</b> Enter the amount from line 24 . . . . .</p>	<b>27</b>			
<p><b>28</b> Subtract line 27 from line 26. If zero or less, enter -0- and go to line 34</p>	<b>28</b>			
<p><b>29</b> Enter your qualified 5-year gain, if any, from line 7 of the worksheet on page D-8 . . . . .</p>	<b>29</b>			
<p><b>30</b> Enter the <b>smaller</b> of line 28 or line 29 . . . . .</p>	<b>30</b>			
<p><b>31</b> Multiply line 30 by 8% (.08) . . . . .</p>	<b>31</b>			
<p><b>32</b> Subtract line 30 from line 28 . . . . .</p>	<b>32</b>			
<p><b>33</b> Multiply line 32 by 10% (.10) . . . . .</p> <p><b>If the amounts on lines 23 and 28 are the same, skip lines 34 through 37 and go to line 38.</b></p>	<b>33</b>			
<p><b>34</b> Enter the <b>smaller</b> of line 20 or line 23 . . . . .</p>	<b>34</b>			
<p><b>35</b> Enter the amount from line 28 (if line 28 is blank, enter -0-) . . . . .</p>	<b>35</b>			
<p><b>36</b> Subtract line 35 from line 34 . . . . .</p>	<b>36</b>			
<p><b>37</b> Multiply line 36 by 20% (.20) . . . . .</p>	<b>37</b>			
<p><b>38</b> Add lines 25, 31, 33, and 37 . . . . .</p>	<b>38</b>			
<p><b>39</b> Figure the tax on the amount on line 20. Use the Tax Table or Tax Rate Schedules, whichever applies</p>	<b>39</b>			
<p><b>40 Tax on all taxable income (including capital gains).</b> Enter the <b>smaller</b> of line 38 or line 39 here and on Form 1040, line 42 . . . . .</p>	<b>40</b>			



**Capital Loss Carryover Worksheet—Line 18**

*Keep for Your Records*



Use this worksheet to figure your capital loss carryovers from 2002 to 2003 if Schedule D, line 18, is a loss and **(a)** that loss is a smaller loss than the loss on Schedule D, line 17, **or (b)** Form 1040, line 39, is a loss. Otherwise, you do not have any carryovers.

1. Enter the amount from Form 1040, line 39. If a loss, enclose the amount in parentheses . . . . . **1.** \_\_\_\_\_
2. Enter the loss from Schedule D, line 18, as a positive amount . . . . . **2.** \_\_\_\_\_
3. Combine lines 1 and 2. If zero or less, enter -0- . . . . . **3.** \_\_\_\_\_
4. Enter the **smaller** of line 2 or line 3 . . . . . **4.** \_\_\_\_\_
- If line 7 of Schedule D is a loss, go to line 5; otherwise, enter -0- on line 5 and go to line 9.**
5. Enter the loss from Schedule D, line 7, as a positive amount . . . . . **5.** \_\_\_\_\_
6. Enter any gain from Schedule D, line 16 . . . . . **6.** \_\_\_\_\_
7. Add lines 4 and 6 . . . . . **7.** \_\_\_\_\_
8. **Short-term capital loss carryover to 2003.** Subtract line 7 from line 5. If zero or less, enter -0- . . . . . **8.** \_\_\_\_\_
- If line 16 of Schedule D is a loss, go to line 9; otherwise, skip lines 9 through 13.**
9. Enter the loss from Schedule D, line 16, as a positive amount . . . . . **9.** \_\_\_\_\_
10. Enter any gain from Schedule D, line 7 . . . . . **10.** \_\_\_\_\_
11. Subtract line 5 from line 4. If zero or less, enter -0- . . . . . **11.** \_\_\_\_\_
12. Add lines 10 and 11 . . . . . **12.** \_\_\_\_\_
13. **Long-term capital loss carryover to 2003.** Subtract line 12 from line 9. If zero or less, enter -0- . . . . . **13.** \_\_\_\_\_

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

**For questions C-13 through C-15, complete a Schedule D, to include the Qualified 5-Year Gain Worksheet, using information from the scenario below.**

Donna Embry's (SSN 000-00-2554) only income is from interest, dividends and the sale of stock.

Donna's Substitute Form 1099-DIV from Oakwood Investments shows:

Ordinary Dividends (Box 1): \$4,739.00  
Total capital gain distr. (Box 2a): \$1,995.18  
Qualified 5-year gain (Box 2c): \$ 621.92

Donna's Substitute Form 1099-B from Sterling Brokerage has the following entries:  
(Purchase data penciled in by taxpayer)

<u>Quantity/Stock</u>	<u>Date Sold</u>	<u>Proceeds</u>	<u>Purchase Date and Cost</u>	
100 sh. RRN Co.	9/01/2002	\$2650.00	2/12/1998	\$3800.00
100 sh. LKV Co.	4/30/2002	6000.00	6/10/2001	2400.00
300 sh. EGR Co.	11/22/2002	9900.00	1/20/1985	3000.00

Assume her taxable income, including these items, is \$8,384 on Form 1040, Line 41.

C-13 What is on Schedule D, Line 17?

- a. 0
- b. \$7,745
- c. \$10,500
- d. \$11,345
- e. None of the above

C-14 What is on Line 7 of the Qualified 5-year Gain Worksheet?

- a. 0
- b. \$5,750
- c. \$6,900
- d. \$7,522
- e. None of the above

C-15 What is on Schedule D., Line 40?

- a. \$688
- b. \$701
- c. \$842
- d. \$956
- e. None of the above

**Record all answers on the tear-out Retest Answer Sheet located in the front of the retest booklet.**

**SCHEDULE D  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

**Capital Gains and Losses**

▶ Attach to Form 1040. ▶ See Instructions for Schedule D (Form 1040).  
▶ Use Schedule D-1 to list additional transactions for lines 1 and 8.

OMB No. 1545-0074

**2002**

Attachment  
Sequence No. **12**

Name(s) shown on Form 1040

Donna Embry

Your social security number

000 00 2554

**Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less**

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-5 of the instructions)	(e) Cost or other basis (see page D-5 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)	
1						
2	Enter your short-term totals, if any, from Schedule D-1, line 2 . . . . .		2			
3	<b>Total short-term sales price amounts.</b> Add lines 1 and 2 in column (d) . . . . .		3			
4	Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824 . . . . .				4	
5	Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 . . . . .				5	
6	Short-term capital loss carryover. Enter the amount, if any, from line 8 of your 2001 Capital Loss Carryover Worksheet . . . . .				6	( )
7	<b>Net short-term capital gain or (loss).</b> Combine lines 1 through 6 in column (f). . . . .				7	

**Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year**

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-5 of the instructions)	(e) Cost or other basis (see page D-5 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)	(g) 28% rate gain or (loss) * (see instr. below)
8						
9	Enter your long-term totals, if any, from Schedule D-1, line 9 . . . . .		9			
10	<b>Total long-term sales price amounts.</b> Add lines 8 and 9 in column (d) . . . . .		10			
11	Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824 . . . . .				11	
12	Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 . . . . .				12	
13	Capital gain distributions. See page D-1 of the instructions . . . . .				13	
14	Long-term capital loss carryover. Enter in both columns (f) and (g) the amount, if any, from line 13 of your 2001 Capital Loss Carryover Worksheet . . . . .				14	( ) ( )
15	Combine lines 8 through 14 in column (g) . . . . .				15	
16	<b>Net long-term capital gain or (loss).</b> Combine lines 8 through 14 in column (f) <b>Next:</b> Go to Part III on the back.				16	

\* **28% rate gain or loss** includes all "collectibles gains and losses" (as defined on page D-6 of the instructions) and up to 50% of the eligible gain on qualified small business stock (see page D-4 of the instructions).

**Part III Taxable Gain or Deductible Loss**

**17** Combine lines 7 and 16 and enter the result. If a loss, go to line 18. If a gain, enter the gain on Form 1040, line 13, and complete Form 1040 through line 41 . . . . .

- Next:** • If both lines 16 and 17 are gains **and** Form 1040, line 41, is more than zero, complete Part IV below.  
 • Otherwise, skip the rest of Schedule D and complete Form 1040.

**18** If line 17 is a loss, enter here and on Form 1040, line 13, the **smaller** of (a) that loss or (b) (\$3,000) (or, if married filing separately, (\$1,500)). Then complete Form 1040 through line 39

- Next:** • If the loss on line 17 is more than the loss on line 18 or if Form 1040, line 39, is less than zero, skip **Part IV** below and complete the **Capital Loss Carryover Worksheet** on page D-6 of the instructions before completing the rest of Form 1040.  
 • Otherwise, skip **Part IV** below and complete the rest of Form 1040.

<b>17</b>		
<b>18</b> ( )		

**Part IV Tax Computation Using Maximum Capital Gains Rates**

**19** Enter your unrecaptured section 1250 gain, if any, from line 17 of the worksheet on page D-7 of the instructions . . . . .

**If line 15 or line 19 is more than zero, complete the worksheet on page D-9 of the instructions to figure the amount to enter on lines 22, 29, and 40 below, and skip all other lines below. Otherwise, go to line 20.**

**20** Enter your taxable income from Form 1040, line 41 . . . . .

**21** Enter the **smaller** of line 16 or line 17 of Schedule D . . . . .

**22** If you are deducting investment interest expense on Form 4952, enter the amount from Form 4952, line 4e. Otherwise, enter -0-

**23** Subtract line 22 from line 21. If zero or less, enter -0-

**24** Subtract line 23 from line 20. If zero or less, enter -0-

**25** Figure the tax on the amount on line 24. Use the Tax Table or Tax Rate Schedules, whichever applies

**26** Enter the **smaller** of:

- The amount on line 20 or
- \$46,700 if married filing jointly or qualifying widow(er);  
 \$27,950 if single;  
 \$37,450 if head of household; or  
 \$23,350 if married filing separately

**If line 26 is greater than line 24, go to line 27. Otherwise, skip lines 27 through 33 and go to line 34.**

**27** Enter the amount from line 24 . . . . .

**28** Subtract line 27 from line 26. If zero or less, enter -0- and go to line 34

**29** Enter your qualified 5-year gain, if any, from line 7 of the worksheet on page D-8 . . . . .

**30** Enter the **smaller** of line 28 or line 29 . . . . .

**31** Multiply line 30 by 8% (.08) . . . . .

**32** Subtract line 30 from line 28 . . . . .

**33** Multiply line 32 by 10% (.10) . . . . .

**If the amounts on lines 23 and 28 are the same, skip lines 34 through 37 and go to line 38.**

**34** Enter the **smaller** of line 20 or line 23 . . . . .

**35** Enter the amount from line 28 (if line 28 is blank, enter -0-)

**36** Subtract line 35 from line 34 . . . . .

**37** Multiply line 36 by 20% (.20) . . . . .

**38** Add lines 25, 31, 33, and 37 . . . . .

**39** Figure the tax on the amount on line 20. Use the Tax Table or Tax Rate Schedules, whichever applies

**40 Tax on all taxable income (including capital gains).** Enter the **smaller** of line 38 or line 39 here and on Form 1040, line 42 . . . . .

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<b>39</b>		
<b>40</b>		



John and Carol Maple have total qualified 5-year gain of \$3,000 figured on the **Qualified 5-Year Gain Worksheet** as follows. They enter \$2,300 from items 2 and 5 on line 1. To complete line 2, the Maples first determine that the amount on their Form 4797, line 7, is \$100, consisting of the \$5,300 gain from item 6 and the \$5,200 loss from item 7. Because Form 4797, line 7, is more than zero, they include the \$5,300 gain from item 6 and the \$400 gain from item 7, or \$5,700, on line 2. The Maples enter zero on lines 3 and 4. They enter \$900 from item 4 and \$200 from item 7, or \$1,100, on line 5. The Maples add lines 1 through 5 of the worksheet and enter \$9,100 on line 6. On line 7, they include the \$1,800 gain from item 5 because it is 28% rate gain from the sale of a collectible and \$4,300 from item 6 because it is included on line 6 of the **Unrecaptured Section 1250 Gain Worksheet**. (The Maples entered \$4,300 on line 1 of the Unrecaptured Section 1250 Gain Worksheet, zero on line 2, and \$4,300 on lines 3 and 6.) The Maples subtract the \$6,100 on line 7 of the worksheet from the \$9,100 on line 6. They enter the result, \$3,000 on line 8 of the worksheet and on Schedule D, line 29.

**Qualified 5-Year Gain Worksheet—Line 29**

*Keep for Your Records*



1. Enter the total of all gains that you reported on line 8, column (f), of Schedules D and D-1 from dispositions of property held more than 5 years. <b>Do not</b> reduce these gains by any losses . . . . .	1. _____
2. Enter the total of all gains from dispositions of property held more than 5 years from Form 4797, Part I, but <b>only</b> if Form 4797, line 7, is more than zero. <b>Do not</b> reduce these gains by any losses . . . . .	2. _____
3. Enter the total of all gains from dispositions of property held more than 5 years from Form 4684, line 4, but <b>only</b> if Form 4684, line 15, is more than zero. <b>Do not</b> reduce these gains by any losses . . . . .	3. _____
4. Enter the total of all capital gains from dispositions of property held more than 5 years from Form 6252; Form 6781, Part II; and Form 8824. <b>Do not</b> reduce these gains by any losses . . . . .	4. _____
5. Enter the total of any qualified 5-year gain reported to you on:	5. _____
<ul style="list-style-type: none"> <li>• Form 1099-DIV, box 2c;</li> <li>• Form 2439, box 1c; and</li> <li>• Schedule K-1 from a partnership, S corporation, estate, or trust (<b>do not</b> include gains from section 1231 property; take them into account on line 2 above, but <b>only</b> if Form 4797, line 7, is more than zero).</li> </ul>	} . . . . .
6. Add lines 1 through 5 . . . . .	
7. Enter the part, if any, of the gain on line 6 that is:	7. _____
<ul style="list-style-type: none"> <li>• Attributable to 28% rate gain <b>or</b></li> <li>• Included on line 6, 10, 11, or 12 of the <b>Unrecaptured Section 1250 Gain Worksheet</b> on page D-7.</li> </ul>	} . . . . .
8. <b>Qualified 5-year gain.</b> Subtract line 7 from line 6. Enter the result here and on Schedule D, line 29	