



# 2011 Instructions for Schedule J

## Income Averaging for Farmers and Fishermen

Use Schedule J (Form 1040) to elect to figure your 2011 income tax by averaging, over the previous 3 years (base years), all or part of your 2011 taxable income from your trade or business of farming or fishing. This election may give you a lower tax if your 2011 income from farming or fishing is high and your taxable income for one or more of the 3 prior years was low.

In order to qualify for this election, you are not required to have been in the business of farming or fishing during any of the base years.

You may elect to average farming or fishing income even if your filing status was not the same in the election year and the base years.

This election does not apply when figuring your alternative minimum tax on Form 6251. Also, you do not have to recompute, because of this election, the tax liability of any minor child who was required to use your tax rates in the prior years.

### What's New

The IRS has created a page on [IRS.gov](http://IRS.gov) for information about Form 1040 and its instructions, at [www.irs.gov/form1040](http://www.irs.gov/form1040). Information about any future developments affecting Form 1040 (such as legislation enacted after we release it) will be posted on that page.

### General Instructions

#### Prior Year Tax Returns

You may need copies of your original or amended income tax returns for 2008, 2009, and 2010 to figure your tax on Schedule J.

If you need copies of your tax returns, use Form 4506. There is a \$57 fee (subject to change) for each return requested. If your main home, principal place of business, or tax records are located in a federally declared disaster area, this fee will be waived. If you want a free transcript of your tax return or account, use Form 4506-T. See your Form 1040 instructions to find out how to get these forms.

Keep a copy of your 2011 income tax return to use for income averaging in 2012, 2013, or 2014.

#### Definitions

**Farming business.** A farming business is the trade or business of cultivating land or raising or harvesting any agricultural or horticultural commodity. This includes:

1. Operating a nursery or sod farm;
2. Raising or harvesting of trees bearing fruits, nuts, or other crops;
3. Raising ornamental trees (but not evergreen trees that are more than 6 years old when severed from the roots);
4. Raising, shearing, feeding, caring for, training, and managing animals; and

5. Leasing land to a tenant engaged in a farming business, but only if the lease payments are (a) based on a share of the tenant's production (not a fixed amount), and (b) determined under a written agreement entered into before the tenant begins significant activities on the land.

A farming business does not include:

- Contract harvesting of an agricultural or horticultural commodity grown or raised by someone else, or
- Merely buying or reselling plants or animals grown or raised by someone else.

**Fishing business.** A fishing business is the trade or business of fishing in which the fish harvested, either in whole or in part, are intended to enter commerce or enter commerce through sale, barter, or trade. This includes:

1. The catching, taking, or harvesting of fish;
2. The attempted catching, taking, or harvesting of fish;
3. Any other activity which can reasonably be expected to result in the catching, taking, or harvesting of fish;
4. Any operations at sea in support of, or in preparation for, any activity described in (1) through (3) above;
5. Leasing a fishing vessel, but only if the lease payments are (a) based on a share of the catch (or a share of the proceeds from the sale of the catch) from the lessee's use of the vessel in a fishing business (not a fixed payment), and (b) determined under a written lease entered into before the lessee begins any significant fishing activities resulting in the catch; and
6. Compensation as a crew member on a vessel engaged in a fishing business, but

only if the compensation is based on a share of the catch (or a share of the proceeds from the sale of the catch).

The word fish means finfish, mollusks, crustaceans, and all other forms of marine animal and plant life other than marine mammals and birds.

A fishing business does not include any scientific research activity conducted by a scientific research vessel.

**Settlement from Exxon Valdez litigation.** You will be treated as engaged in a fishing business with respect to any qualified settlement income you received if either of the following applies.

1. You were a plaintiff in the civil action *In re Exxon Valdez*, No. 89-095-CV (HRH) (Consolidated) (D. Alaska); or
2. All of the following apply.
  - a. You were a beneficiary of a plaintiff described in (1) above,
  - b. You acquired the right to receive qualified settlement income from that plaintiff, and
  - c. You were the spouse or an immediate relative of that plaintiff.

Qualified settlement income is any taxable interest and punitive damage awards you received (whether as lump sums or periodic payments) in connection with the Exxon Valdez civil action described above. Qualified settlement income includes all such awards, whether received before or after the judgment and whether related to a settlement or a judgment.

#### Additional Information

See Pub. 225 and Regulations section 1.1301-1 for more information.

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## Specific Instructions

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### Line 2a

#### Elected Farm Income

To figure your elected farm income, first figure your taxable income from farming or fishing. This includes all income, gains, losses, and deductions attributable to your farming or fishing business. If you conduct both farming and fishing businesses, you must figure your elected farm income by combining income, gains, losses, and deductions attributable to your farming and fishing businesses.

Elected farm income also includes any gain or loss from the sale or other disposition of property regularly used in your farming or fishing business for a substantial period of time. However, if such gain or loss is realized after cessation of the farming or fishing business, the gain or loss is treated as attributable to a farming or fishing business only if the property is sold within a reasonable time after cessation of the farming or fishing business. A sale or other disposition within 1 year of the cessation is considered to be within a reasonable time.

Elected farm income does not include income, gain, or loss from the sale or other disposition of land or from the sale of development rights, grazing rights, and other similar rights.

You should find your income, gains, losses, and deductions from farming or fishing reported on different tax forms, such as:

- 2011 Form 1040, line 7, or Form 1040NR, line 8, income from wages and other compensation you received (a) as a shareholder in an S corporation engaged in a farming or fishing business or (b) as a crew member on a vessel engaged in a fishing business (but see *Fishing business*, earlier);
- 2011 Form 1040, line 21, or Form 1040NR, line 21, income from Exxon Valdez litigation;
- 2011 Form 1040, line 27, or Form 1040NR, line 27, deductible part of self-employment tax, but only to the extent that deduction is attributable to your farming or fishing business;
- 2011 Form 1040, line 43, or Form 1040NR, line 41, CCF reduction, except to the extent that any earnings (without regard to the carryback of any net operating or net capital loss) from the operation of agreement vessels in the fisheries of the United States or in the foreign or domestic commerce of the United States are not attributable to your fishing business;
- Schedule C or C-EZ;
- Schedule D;
- Schedule E, Part II;

- Schedule F;
- Form 4797;
- Form 4835;
- Form 8903, domestic production activities deduction, but only to the extent that deduction is attributable to your farming or fishing business; and
- Form 8949.

Your elected farm income is the amount of your taxable income from farming or fishing that you elect to include on line 2a. However, you do not have to include all of your taxable income from farming or fishing on line 2a. It may be to your advantage to include less than the entire amount, depending on how the amount you include on line 2a affects your tax bracket for the current and prior 3 tax years.

If you received certain subsidies in 2011, your elected farm income cannot include excess farm losses. See the Instructions for Schedule F (Form 1040).

Your elected farm income cannot exceed your taxable income.

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### Lines 2b and 2c

Complete lines 2b and 2c if the amount of your elected farm income on line 2a includes net capital gain. Net capital gain is the excess, if any, of net long-term capital gain over net short-term capital loss.

**Line 2b.** Enter on line 2b the portion of your elected farm income on line 2a treated as a net capital gain. The amount you enter on line 2b cannot exceed the **smaller** of your total net capital gain or the net capital gain attributable to your farming or fishing business.

**Line 2c.** Enter on line 2c the **smaller** of line 2b or the unrecaptured section 1250 gain attributable to your farming or fishing business, if any.

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### Line 4

Figure the tax on the amount on line 3 using:

- The 2011 Tax Table, Tax Computation Worksheet, or Qualified Dividends and Capital Gain Tax Worksheet from the 2011 Instructions for Form 1040 or Form 1040NR;
- The 2011 Foreign Earned Income Tax Worksheet from the 2011 Instructions for Form 1040; or
- The Schedule D Tax Worksheet in the 2011 Instructions for Schedule D.

Enter the tax on line 4.

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### Line 5

If you used Schedule J to figure your tax for:

- 2010 (that is, you entered the amount from the 2010 Schedule J, line 23, on line 44 of your 2010 Form 1040, on line 42 of your 2010 Form 1040NR, or on Form 1040X for 2010), enter on line 5 the amount from your 2010 Schedule J, line 11.
- 2009 but not 2010, enter on line 5 the amount from your 2009 Schedule J, line 15.
- 2008 but not 2009 or 2010, enter on line 5 the amount from your 2008 Schedule J, line 3.

If you figured your tax for 2008, 2009, and 2010 without using Schedule J, enter on line 5 the taxable income from your 2008 tax return (or as previously adjusted by the IRS, or corrected on an amended return). But if that amount is zero or less, complete the 2008 Taxable Income Worksheet to figure the amount to enter on line 5.

If you did not file a tax return for 2008, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2008 for at least 3 years after April 17, 2012 (or the date you file your 2011 tax return, if later).

#### Instructions for 2008 Taxable Income Worksheet

**Line 2.** Any net capital loss deduction on your 2008 Schedule D, line 21, is not allowed for income averaging purposes to the extent it did not reduce your capital loss carryover to 2009. This could happen if the taxable income before subtracting exemptions—shown on your 2008 Form 1040, line 41, or your 2008 Form 1040NR, line 38 (or as previously adjusted)—was less than zero. Enter on line 2 the amount by which your 2008 capital loss carryover to 2009 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2008 Schedule D, line 16, over the loss on your 2008 Schedule D, line 21. If you had any Net Operating Loss (NOL) carrybacks to 2008, be sure you refigured your 2008 capital loss carryover to 2009.

**Line 3.** If you had an NOL for 2008, enter the amount of that NOL from line 25 of the 2008 Form 1045, Schedule A, you filed with Form 1045 or Form 1040X. If you did not have an NOL for 2008, enter the portion, if any, of the NOL carryovers and carrybacks to 2008 that were not used in 2008 and were carried to years after 2008.

**Example.** John Farmington, who is single, did not use income averaging for 2008, 2009, or 2010. For 2011, John has \$18,000 of elected farm income on Schedule J, line 2a. The taxable income before subtracting exemptions on his 2008 Form 1040, line 41, is \$4,350. A deduction for exemptions of \$3,500 is shown on line 42, and line 43, taxable income, is \$850. However, John had a \$21,200 NOL for 2009, \$9,000 of which was remaining to carry to 2008 after the NOL was carried back to 2007. To

complete line 1 of the 2008 Taxable Income Worksheet, John combines the \$9,000 NOL deduction with the \$850 from his 2008 Form 1040, line 43. The result is a negative \$8,150, John's 2008 taxable income, which he enters as a positive amount on line 1 of the 2008 Taxable Income Worksheet.

When John filed his 2008 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 21 (which was also entered on Form 1040, line 13), a \$7,000 loss on Schedule D, line 16, and a \$4,000 capital loss carryover to 2009. However, when

John carried back the 2009 NOL (\$9,000 of which was carried to 2008), he refigured his 2008 capital loss carryover to 2009 as \$7,000. John adds the \$3,000 from Schedule D, line 21, and the \$7,000 carryover. He subtracts from the \$10,000 result the \$7,000 loss on his Schedule D, line 16, and enters \$3,000 on line 2 of the worksheet.

John had \$850 of taxable income in 2008 that reduced the 2009 NOL carryback. The \$3,500 exemption deduction and \$3,000 net capital loss deduction also reduced the amount of the 2009 NOL carryback.

As a result, only \$1,650 was available to carry to 2010 and later years, as shown on line 10 of his 2009 Form 1045, Schedule B. John enters the \$1,650 on line 3 of the worksheet, and \$4,650 (\$1,650 plus the \$3,000 line 2 amount) on line 4. He then subtracts the \$4,650 from the \$8,150 on line 1 and enters the result, \$3,500, on line 5 of the worksheet. He enters a negative \$3,500 on Schedule J, line 5. He combines that amount with the \$6,000 on Schedule J, line 6, and enters \$2,500 on Schedule J, line 7.

## 2008 Taxable Income Worksheet—Line 5

Keep for Your Records



Complete this worksheet if you **did not** use Schedule J to figure your tax for 2009 and 2010 **and** your 2008 taxable income was zero or less. See the instructions above before completing this worksheet for line 5.

- |                                                                                                                                                                                                                                                             |    |                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|----------------------|
| 1. Figure the taxable income from your 2008 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2008, <b>do not</b> include any NOL carryovers or carrybacks to 2008. Enter the result as a positive amount . . . . . | 1. | <input type="text"/> |
| 2. If there is a loss on your 2008 Schedule D, line 21, add that loss (as a positive amount) and your 2008 capital loss carryover to 2009. Subtract from that sum the amount of the loss on your 2008 Schedule D, line 16, and enter the result . . . . .   | 2. | <input type="text"/> |
| 3. If you had an NOL for 2008, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2008 that were not used in 2008 and were carried to years after 2008 . . . . .             | 3. | <input type="text"/> |
| 4. Add lines 2 and 3 . . . . .                                                                                                                                                                                                                              | 4. | <input type="text"/> |
| 5. Subtract line 4 from line 1. Enter the result as a <b>negative</b> amount on Schedule J, line 5 . . . . .                                                                                                                                                | 5. | <input type="text"/> |

## Line 8

If line 7 is zero, enter -0- on line 8. Otherwise, figure the tax on the amount on line 7 using:

- The 2008 Tax Rate Schedules below,
- The 2008 Qualified Dividends and Capital Gain Tax Worksheet, later,
- The 2008 Schedule D Tax Worksheet in the 2008 Schedule D instructions (but use the 2008 Tax Rate Schedules below

when figuring the tax on lines 33 and 35 of the Schedule D Tax Worksheet), or

- The 2008 Foreign Earned Income Tax Worksheet, later.

If your elected farm income includes net capital gain, you must use the 2008 Schedule D Tax Worksheet to figure the tax on the amount on line 7. However, if you filed Form 2555 or 2555-EZ for 2008, you must first complete the 2008 Foreign Earned Income Tax Worksheet, and then use the

2008 Schedule D Tax Worksheet to figure the tax on the amount on line 3 of that worksheet.

When completing the Schedule D Tax Worksheet, you must allocate 1/3 of the amount on line 2b (and 1/3 of the amount on line 2c, if any) to 2008. If for 2008 you had a capital loss that resulted in a capital loss carryover to 2009, do not reduce the elected farm income allocated to 2008 by any part of the carryover.

## 2008 Tax Rate Schedules—Line 8

<b>Schedule X</b> —Use if your <b>2008</b> filing status was <b>Single</b> or you checked filing status box 1 or 2 on Form 1040NR					<b>Schedule Y-2</b> —Use if your <b>2008</b> filing status was <b>Married filing separately</b> or you checked filing status box 3, 4, or 5 on Form 1040NR				
If Schedule J, line 7, is: Over—	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>		If Schedule J, line 7, is: Over—	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>	
\$0	\$8,025	.....	<b>10%</b>	<b>\$0</b>	\$0	\$8,025	.....	<b>10%</b>	<b>\$0</b>
8,025	32,550	<b>\$802.50 +</b>	<b>15%</b>	<b>8,025</b>	8,025	32,550	<b>\$802.50 +</b>	<b>15%</b>	<b>8,025</b>
32,550	78,850	<b>4,481.25 +</b>	<b>25%</b>	<b>32,550</b>	32,550	65,725	<b>4,481.25 +</b>	<b>25%</b>	<b>32,550</b>
78,850	164,550	<b>16,056.25 +</b>	<b>28%</b>	<b>78,850</b>	65,725	100,150	<b>12,775.00 +</b>	<b>28%</b>	<b>65,725</b>
164,550	357,700	<b>40,052.25 +</b>	<b>33%</b>	<b>164,550</b>	100,150	178,850	<b>22,414.00 +</b>	<b>33%</b>	<b>100,150</b>
357,700	.....	<b>103,791.75 +</b>	<b>35%</b>	<b>357,700</b>	178,850	.....	<b>48,385.00 +</b>	<b>35%</b>	<b>178,850</b>
<b>Schedule Y-1</b> —Use if your <b>2008</b> filing status was <b>Married filing jointly</b> or <b>Qualifying widow(er)</b> or you checked filing status box 6 on Form 1040NR					<b>Schedule Z</b> —Use if your <b>2008</b> filing status was <b>Head of household</b>				
If Schedule J, line 7, is: Over—	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>		If Schedule J, line 7, is: Over—	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>	
\$0	\$16,050	.....	<b>10%</b>	<b>\$0</b>	\$0	\$11,450	.....	<b>10%</b>	<b>\$0</b>
16,050	65,100	<b>\$1,605.00 +</b>	<b>15%</b>	<b>16,050</b>	11,450	43,650	<b>\$1,145.00 +</b>	<b>15%</b>	<b>11,450</b>
65,100	131,450	<b>8,962.50 +</b>	<b>25%</b>	<b>65,100</b>	43,650	112,650	<b>5,975.00 +</b>	<b>25%</b>	<b>43,650</b>
131,450	200,300	<b>25,550.00 +</b>	<b>28%</b>	<b>131,450</b>	112,650	182,400	<b>23,225.00 +</b>	<b>28%</b>	<b>112,650</b>
200,300	357,700	<b>44,828.00 +</b>	<b>33%</b>	<b>200,300</b>	182,400	357,700	<b>42,755.00 +</b>	<b>33%</b>	<b>182,400</b>
357,700	.....	<b>96,770.00 +</b>	<b>35%</b>	<b>357,700</b>	357,700	.....	<b>100,604.00 +</b>	<b>35%</b>	<b>357,700</b>



Use this worksheet **only** if both of the following apply.

- Your elected farm income on your 2011 Schedule J, line 2a, does not include any net capital gain.
- You (a) entered qualified dividends on your 2008 Form 1040, line 9b (or your 2008 Form 1040A, line 9b, or 2008 Form 1040NR, line 10b); (b) entered capital gain distributions directly on your 2008 Form 1040, line 13 (or your 2008 Form 1040A, line 10, or 2008 Form 1040NR, line 14) and were not required to file Schedule D; or (c) filed Schedule D in 2008 and you answered “Yes” on lines 17 and 20 of that Schedule D.

1. Amount from your 2011 Schedule J, line 7. If for 2008 you filed Form 2555 or 2555-EZ, enter the amount from line 3 of the 2008 Foreign Earned Income Tax Worksheet . . . . .	1.	<input type="text"/>
2. Amount from your 2008 Form 1040, line 9b* (or your 2008 Form 1040A, line 9b, or 2008 Form 1040NR, line 10b) . . . . .	2.	<input type="text"/>
3. Did you file Schedule D in 2008?*		
<input type="checkbox"/> <b>Yes.</b> Enter the <b>smaller</b> of line 15 or 16 of your 2008 Schedule D, but do not enter less than -0-	3.	<input type="text"/>
<input type="checkbox"/> <b>No.</b> Enter the amount from your 2008 Form 1040, line 13 (or your 2008 Form 1040A, line 10, or 2008 Form 1040NR, line 14)		
4. Add lines 2 and 3 . . . . .	4.	<input type="text"/>
5. Amount, if any, from your 2008 Form 4952, line 4g . . . . .	5.	<input type="text"/>
6. Subtract line 5 from line 4. If zero or less, enter -0- . . . . .	6.	<input type="text"/>
7. Subtract line 6 from line 1. If zero or less, enter -0- . . . . .	7.	<input type="text"/>
8. Enter the <b>smaller</b> of:		
• The amount on line 1, or	8.	<input type="text"/>
• \$32,550 if single or married filing separately or if you checked filing status box 1, 2, 3, 4, or 5 on Form 1040NR;		
\$65,100 if married filing jointly or qualifying widow(er) or if you checked filing status box 6 on Form 1040NR;		
\$43,650 if head of household.		
9. Is the amount on line 7 equal to or more than the amount on line 8?		
<input type="checkbox"/> <b>Yes.</b> Skip lines 9 and 10; go to line 11 and check the “No” box.	9.	<input type="text"/>
<input type="checkbox"/> <b>No.</b> Enter the amount from line 7 . . . . .		
10. Subtract line 9 from line 8 . . . . .	10.	<input type="text"/>
11. Are the amounts on lines 6 and 10 the same?		
<input type="checkbox"/> <b>Yes.</b> Skip lines 11 through 14; go to line 15.	11.	<input type="text"/>
<input type="checkbox"/> <b>No.</b> Enter the <b>smaller</b> of line 1 or line 6 . . . . .		
12. Enter the amount from line 10 (if line 10 is blank, enter -0-) . . . . .	12.	<input type="text"/>
13. Subtract line 12 from line 11 . . . . .	13.	<input type="text"/>
14. Multiply line 13 by 15% (.15) . . . . .	14.	<input type="text"/>
15. Figure the tax on the amount on line 7. Use the 2008 Tax Rate Schedules . . . . .	15.	<input type="text"/>
16. Add lines 14 and 15 . . . . .	16.	<input type="text"/>
17. Figure the tax on the amount on line 1. Use the 2008 Tax Rate Schedules . . . . .	17.	<input type="text"/>
18. <b>Tax.</b> Enter the <b>smaller</b> of line 16 or line 17 here and on your 2011 Schedule J, line 8. If for 2008 you filed Form 2555 or 2555-EZ, do not enter this amount on Schedule J, line 8. Instead, enter it on line 4 of the 2008 Foreign Earned Income Tax Worksheet . . . . .	18.	<input type="text"/>

\*If for 2008 you filed Form 2555 or 2555-EZ, see the footnote in the 2008 Foreign Earned Income Tax Worksheet before completing this line.

Use this worksheet if you claimed the foreign earned income exclusion or housing exclusion on your 2008 Form 1040 using Form 2555 or 2555-EZ. However, if Schedule J, line 7, is zero or less do not complete this worksheet.

1. Enter the amount from your 2011 Schedule J, line 7 . . . . .	1.	<input type="text"/>
2. Enter the amount from your (and your spouse's, if filing jointly) 2008 Form 2555, lines 45 and 50, or Form 2555-EZ, line 18 . . . . .	2.	<input type="text"/>
3. Add lines 1 and 2 . . . . .	3.	<input type="text"/>
4. <b>Tax on the amount on line 3.</b> Use the 2008 Tax Rate Schedules, the 2008 Qualified Dividends and Capital Gain Tax Worksheet,* or the 2008 Schedule D Tax Worksheet in the 2008 Schedule D instructions,* whichever applies. . . . .	4.	<input type="text"/>
5. <b>Tax on the amount on line 2.</b> Use the 2008 Tax Rate Schedules. . . . .	5.	<input type="text"/>
6. Subtract line 5 from line 4. Enter the result. If zero or less, enter -0-. Also include this amount on your 2011 Schedule J, line 8 . . . . .	6.	<input type="text"/>

*\*Enter the amount from line 3 above on line 1 of the 2008 Qualified Dividends and Capital Gain Tax Worksheet or the 2008 Schedule D Tax Worksheet if you use either of those worksheets to figure the tax on line 4 above. Complete the rest of that worksheet through line 6 (line 10 if you use the Schedule D Tax Worksheet). Next, you must determine if you had a capital gain excess. To find out if you had a capital gain excess, subtract the amount from your 2011 Schedule J, line 7, from line 6 of your 2008 Qualified Dividends and Capital Gain Tax Worksheet (line 10 of your 2008 Schedule D Tax Worksheet). If the result is more than zero, that amount is your capital gain excess.*

*If you did not have a capital gain excess, complete the rest of either of those worksheets according to the worksheet's instructions. Then complete lines 5 and 6 above.*

*If you had a capital gain excess, complete a second 2008 Qualified Dividends and Capital Gain Tax Worksheet or 2008 Schedule D Tax Worksheet (whichever applies) as instructed above but in its entirety and with the following additional modifications. Then complete lines 5 and 6 above. These modifications are to be made only for purposes of filling out the 2008 Foreign Earned Income Tax Worksheet above.*

1. Reduce (but not below zero) the amount you would otherwise enter on line 3 of your 2008 Qualified Dividends and Capital Gain Tax Worksheet or line 9 of your 2008 Schedule D Tax Worksheet by your capital gain excess.
2. Reduce (but not below zero) the amount you would otherwise enter on your 2008 Form 1040, line 9b, by any of your capital gain excess not used in (1) above.
3. Reduce (but not below zero) the amount on your 2008 Schedule D (Form 1040), line 18, by your capital gain excess.
4. Include your capital gain excess as a loss on line 16 of your 2008 Unrecaptured Section 1250 Gain Worksheet in the 2008 Instructions for Schedule D (Form 1040).

## Line 9

If you used Schedule J to figure your tax for:

- 2010 (that is, you entered the amount from the 2010 Schedule J, line 23, on line 44 of your 2010 Form 1040, on line 42 of 2010 Form 1040NR, or on Form 1040X for 2010), enter on line 9 the amount from your 2010 Schedule J, line 15.
- 2009 but not 2010, enter on line 9 the amount from your 2009 Schedule J, line 3.

If you figured your tax for both 2009 and 2010 without using Schedule J, enter on line 9 the taxable income from your 2009 tax return (or as previously adjusted by the IRS or corrected on an amended return). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 9.

If you did not file a tax return for 2009, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2009 until at least 3 years after April 17, 2012 (or the date you file your 2011 tax return, if later).

### Instructions for 2009 Taxable Income Worksheet

**Line 2.** Any net capital loss deduction on your 2009 Schedule D, line 21, is not allowed for income averaging purposes to the extent it did not reduce your capital loss carryover to 2010. This could happen if the

taxable income before subtracting exemptions—shown on your 2009 Form 1040, line 41, or your 2009 Form 1040NR, line 38 (or as previously adjusted)—was less than zero. Enter on line 2 the amount by which your 2009 capital loss carryover to 2010 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2009 Schedule D, line 16, over the loss on your 2009 Schedule D, line 21. If you had any NOL carrybacks to 2009, be sure you refigured your 2009 capital loss carryover to 2010.

**Line 3.** If you had an NOL for 2009, enter the amount of that NOL from line 25 of the 2009 Form 1045, Schedule A, you filed with Form 1045 or Form 1040X. If you did not have an NOL for 2009, enter the portion, if any, of the NOL carryovers and carrybacks to 2009 that were not used in 2009 and were carried to years after 2009.

**Example.** John Farmington did not use income averaging for 2008, 2009, or 2010. The taxable income before subtracting exemptions on his 2009 Form 1040, line 41, is a negative \$29,900. A deduction for exemptions of \$3,650 is shown on line 42, and line 43, taxable income, is limited to zero. John subtracts from the \$29,900 loss the \$3,650 deduction for exemptions. The result is a negative \$33,550. John's 2009 taxable income, which he enters as a positive amount on line 1 of the 2009 Taxable Income Worksheet.

When John filed his 2009 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 21 (which was also entered on Form 1040, line 13), and a \$7,000 loss on Schedule D, line 16 (as adjusted). He also had a \$7,000 capital loss carryover to 2010. John adds the \$3,000 from Schedule D, line 21, and the \$7,000 carryover. He subtracts from the \$10,000 result the \$7,000 loss on his Schedule D, line 16, and enters \$3,000 on line 2 of the worksheet.

John enters \$21,200 on line 3 of the worksheet, the 2009 NOL from his 2009 Form 1045, Schedule A, line 25. Of the \$33,550 negative taxable income, the \$3,650 deduction for exemptions, the \$3,000 capital loss deduction, and his \$5,700 standard deduction were not allowed in figuring the NOL. John had a \$21,200 loss on his 2009 Schedule F, the only other item on his 2009 tax return.

John enters \$24,200 (the \$3,000 line 2 amount plus the \$21,200 line 3 amount) on line 4 and \$9,350 (the \$33,550 line 1 amount minus the \$24,200 line 4 amount) on line 5. He enters \$9,350 as a negative amount on Schedule J, line 9. He enters \$6,000 on Schedule J, line 10, and a negative \$3,350 on Schedule J, line 11. If he uses Schedule J to figure his tax for 2012, he will enter the negative \$3,350 amount on his 2012 Schedule J as his 2009 taxable income for income averaging purposes.

## 2009 Taxable Income Worksheet—Line 9

Keep for Your Records



Complete this worksheet if you **did not** use Schedule J to figure your tax for 2010 and your 2009 taxable income was zero or less. See the instructions above before completing this worksheet.

1. Figure the taxable income from your 2009 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2009, <b>do not</b> include any NOL carryovers or carrybacks to 2009. Enter the result as a positive amount . . . . .		1.	<input type="text"/>
2. If there is a loss on your 2009 Schedule D, line 21, add that loss (as a positive amount) and your 2009 capital loss carryover to 2010. Subtract from that sum the amount of the loss on your 2009 Schedule D, line 16, and enter the result . . . . .	2.	<input type="text"/>	
3. If you had an NOL for 2009, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2009 that were not used in 2009 and were carried to years after 2009 . . . . .	3.	<input type="text"/>	
4. Add lines 2 and 3 . . . . .	4.	<input type="text"/>	
5. Subtract line 4 from line 1. Enter the result as a <b>negative</b> amount on Schedule J, line 9 . . . . .	5.	<input type="text"/>	

## Line 12

If line 11 is zero or less, enter -0- on line 12. Otherwise, figure the tax on the amount on line 11 using:

- The 2009 Tax Rate Schedules below,
- The 2009 Qualified Dividends and Capital Gain Tax Worksheet, later,
- The 2009 Schedule D Tax Worksheet in the 2009 Schedule D instructions (but use the 2009 Tax Rate Schedules below when figuring the tax on the Schedule D Tax Worksheet, lines 33 and 35), or

- The 2009 Foreign Earned Income Tax Worksheet, later.

If your elected farm income includes net capital gain, you must use the 2009 Schedule D Tax Worksheet to figure the tax on the amount on line 11. However, if you filed Form 2555 or 2555-EZ for 2009, you must first complete the 2009 Foreign Earned Income Tax Worksheet, and then use the 2009 Schedule D Tax Worksheet to figure the tax on the amount on line 3 of that worksheet.

When completing the Schedule D Tax Worksheet, you must allocate 1/3 of the amount on line 2b (and 1/3 of the amount on line 2c, if any) to 2009. If for 2009 you had a capital loss that resulted in a capital loss carryover to 2010, do not reduce the elected farm income allocated to 2009 by any part of the carryover.



## 2009 Tax Rate Schedules—Line 12

<b>Schedule X</b> —Use if your <b>2009</b> filing status was <b>Single</b> or you checked filing status box 1 or 2 on Form 1040NR					<b>Schedule Y-2</b> —Use if your <b>2009</b> filing status was <b>Married filing separately</b> or you checked filing status box 3, 4, or 5 on Form 1040NR				
If Schedule J, line 11, is: <i>Over</i> —	<i>But not over</i> —	Enter on Schedule J, line 12	<i>of the amount over</i> —		If Schedule J, line 11, is: <i>Over</i> —	<i>But not over</i> —	Enter on Schedule J, line 12	<i>of the amount over</i> —	
\$0	\$8,350	.....	<b>10%</b>	<b>\$0</b>	\$0	\$8,350	.....	<b>10%</b>	<b>\$0</b>
8,350	33,950	<b>\$835.00 +</b>	<b>15%</b>	<b>8,350</b>	8,350	33,950	<b>\$835.00 +</b>	<b>15%</b>	<b>8,350</b>
33,950	82,250	<b>4,675.00 +</b>	<b>25%</b>	<b>33,950</b>	33,950	68,525	<b>4,675.00 +</b>	<b>25%</b>	<b>33,950</b>
82,250	171,550	<b>16,750.00 +</b>	<b>28%</b>	<b>82,250</b>	68,525	104,425	<b>13,318.75 +</b>	<b>28%</b>	<b>68,525</b>
171,550	372,950	<b>41,754.00 +</b>	<b>33%</b>	<b>171,550</b>	104,425	186,475	<b>23,370.75 +</b>	<b>33%</b>	<b>104,425</b>
372,950	.....	<b>108,216.00 +</b>	<b>35%</b>	<b>372,950</b>	186,475	.....	<b>50,447.25 +</b>	<b>35%</b>	<b>186,475</b>
<b>Schedule Y-1</b> —Use if your <b>2009</b> filing status was <b>Married filing jointly</b> or <b>Qualifying widow(er)</b> or you checked filing status box 6 on Form 1040NR					<b>Schedule Z</b> —Use if your <b>2009</b> filing status was <b>Head of household</b>				
If Schedule J, line 11, is: <i>Over</i> —	<i>But not over</i> —	Enter on Schedule J, line 12	<i>of the amount over</i> —		If Schedule J, line 11, is: <i>Over</i> —	<i>But not over</i> —	Enter on Schedule J, line 12	<i>of the amount over</i> —	
\$0	\$16,700	.....	<b>10%</b>	<b>\$0</b>	\$0	\$11,950	.....	<b>10%</b>	<b>\$0</b>
16,700	67,900	<b>\$1,670.00 +</b>	<b>15%</b>	<b>16,700</b>	11,950	45,500	<b>\$1,195.00 +</b>	<b>15%</b>	<b>11,950</b>
67,900	137,050	<b>9,350.00 +</b>	<b>25%</b>	<b>67,900</b>	45,500	117,450	<b>6,227.50 +</b>	<b>25%</b>	<b>45,500</b>
137,050	208,850	<b>26,637.50 +</b>	<b>28%</b>	<b>137,050</b>	117,450	190,200	<b>24,215.00 +</b>	<b>28%</b>	<b>117,450</b>
208,850	372,950	<b>46,741.50 +</b>	<b>33%</b>	<b>208,850</b>	190,200	372,950	<b>44,585.00 +</b>	<b>33%</b>	<b>190,200</b>
372,950	.....	<b>100,894.50 +</b>	<b>35%</b>	<b>372,950</b>	372,950	.....	<b>104,892.50 +</b>	<b>35%</b>	<b>372,950</b>





Use this worksheet **only** if both of the following apply.

- Your elected farm income on your 2011 Schedule J, line 2a, does not include any net capital gain.
- You (a) entered qualified dividends on your 2009 Form 1040, line 9b (or your 2009 Form 1040A, line 9b, or 2009 Form 1040NR, line 10b); (b) entered capital gain distributions directly on your 2009 Form 1040, line 13 (or your 2009 Form 1040A, line 10, or 2009 Form 1040NR, line 14) and were not required to file Schedule D; or (c) filed Schedule D in 2009 and you answered “Yes” on lines 17 and 20 of that Schedule D.

1. Amount from your 2011 Schedule J, line 11. If for 2009 you filed Form 2555 or 2555-EZ, enter the amount from line 3 of the 2009 Foreign Earned Income Tax Worksheet . . . . .	1.	<input type="text"/>
2. Amount from your 2009 Form 1040, line 9b* (or your 2009 Form 1040A, line 9b, or 2009 Form 1040NR, line 10b) . . . . .	2.	<input type="text"/>
3. Did you file Schedule D in 2009?*		
<input type="checkbox"/> <b>Yes.</b> Enter the <b>smaller</b> of line 15 or 16 of your 2009 Schedule D, but do not enter less than -0-	3.	<input type="text"/>
<input type="checkbox"/> <b>No.</b> Enter the amount from your 2009 Form 1040, line 13 (or your 2009 Form 1040A, line 10, or 2009 Form 1040NR, line 14)		
4. Add lines 2 and 3 . . . . .	4.	<input type="text"/>
5. Amount, if any, from your 2009 Form 4952, line 4g . . . . .	5.	<input type="text"/>
6. Subtract line 5 from line 4. If zero or less, enter -0- . . . . .	6.	<input type="text"/>
7. Subtract line 6 from line 1. If zero or less, enter -0- . . . . .	7.	<input type="text"/>
8. Enter the <b>smaller</b> of:		
• The amount on line 1, or	8.	<input type="text"/>
• \$33,950 if single or married filing separately, or if you checked filing status box 1, 2, 3, 4, or 5 on Form 1040NR; \$67,900 if married filing jointly or qualifying widow(er) or if you checked filing status box 6 on Form 1040NR; \$45,500 if head of household.		
9. Is the amount on line 7 equal to or more than the amount on line 8?		
<input type="checkbox"/> <b>Yes.</b> Skip lines 9 and 10; go to line 11 and check the “No” box.	9.	<input type="text"/>
<input type="checkbox"/> <b>No.</b> Enter the amount from line 7 . . . . .		
10. Subtract line 9 from line 8 . . . . .	10.	<input type="text"/>
11. Are the amounts on lines 6 and 10 the same?		
<input type="checkbox"/> <b>Yes.</b> Skip lines 11 through 14; go to line 15.	11.	<input type="text"/>
<input type="checkbox"/> <b>No.</b> Enter the <b>smaller</b> of line 1 or line 6 . . . . .		
12. Enter the amount from line 10 (if line 10 is blank, enter -0-) . . . . .	12.	<input type="text"/>
13. Subtract line 12 from line 11 . . . . .	13.	<input type="text"/>
14. Multiply line 13 by 15% (.15) . . . . .	14.	<input type="text"/>
15. Figure the tax on the amount on line 7. Use the 2009 Tax Rate Schedules . . . . .	15.	<input type="text"/>
16. Add lines 14 and 15 . . . . .	16.	<input type="text"/>
17. Figure the tax on the amount on line 1. Use the 2009 Tax Rate Schedules . . . . .	17.	<input type="text"/>
18. <b>Tax.</b> Enter the <b>smaller</b> of line 16 or line 17 here and on your 2011 Schedule J, line 12. If for 2009 you filed Form 2555 or 2555-EZ, do not enter this amount on Schedule J, line 12. Instead, enter it on line 4 of the 2009 Foreign Earned Income Tax Worksheet . . . . .	18.	<input type="text"/>

\*If for 2009 you filed Form 2555 or 2555-EZ, see the footnote in the 2009 Foreign Earned Income Tax Worksheet before completing this line.

Use this worksheet if you claimed the foreign earned income exclusion or housing exclusion on your 2009 Form 1040 using Form 2555 or 2555-EZ. However, if Schedule J, line 11, is zero or less do not complete this worksheet.

1. Enter the amount from your 2011 Schedule J, line 11 . . . . .	1.	<input type="text"/>
2. Enter the amount from your (and your spouse's, if filing jointly) 2009 Form 2555, lines 45 and 50, or Form 2555-EZ, line 18 . . . . .	2.	<input type="text"/>
3. Add lines 1 and 2 . . . . .	3.	<input type="text"/>
4. <b>Tax on the amount on line 3.</b> Use the 2009 Tax Rate Schedules, the 2009 Qualified Dividends and Capital Gain Tax Worksheet,* or the 2009 Schedule D Tax Worksheet in the 2009 Schedule D instructions,* whichever applies. . . . .	4.	<input type="text"/>
5. <b>Tax on the amount on line 2.</b> Use the 2009 Tax Rate Schedules. . . . .	5.	<input type="text"/>
6. Subtract line 5 from line 4. Enter the result. If zero or less, enter -0-. Also include this amount on your 2011 Schedule J, line 12 . . . . .	6.	<input type="text"/>

*\*Enter the amount from line 3 above on line 1 of the 2009 Qualified Dividends and Capital Gain Tax Worksheet or the 2009 Schedule D Tax Worksheet if you use either of those worksheets to figure the tax on line 4 above. Complete the rest of that worksheet through line 6 (line 10 if you use the Schedule D Tax Worksheet). Next, you must determine if you had a capital gain excess. To find out if you had a capital gain excess, subtract the amount from your 2011 Schedule J, line 11, from line 6 of your 2009 Qualified Dividends and Capital Gain Tax Worksheet (line 10 of your 2009 Schedule D Tax Worksheet). If the result is more than zero, that amount is your capital gain excess.*

*If you did not have a capital gain excess, complete the rest of either of those worksheets according to the worksheet's instructions. Then complete lines 5 and 6 above.*

*If you had a capital gain excess, complete a second 2009 Qualified Dividends and Capital Gain Tax Worksheet or 2009 Schedule D Tax Worksheet (whichever applies) as instructed above but in its entirety and with the following additional modifications. Then complete lines 5 and 6 above. These modifications are to be made only for purposes of filling out the 2009 Foreign Earned Income Tax Worksheet above.*

1. Reduce (but not below zero) the amount you would otherwise enter on line 3 of your 2009 Qualified Dividends and Capital Gain Tax Worksheet or line 9 of your 2009 Schedule D Tax Worksheet by your capital gain excess.
2. Reduce (but not below zero) the amount you would otherwise enter on line 2 of your 2009 Qualified Dividends and Capital Gain Tax Worksheet or line 6 of your 2009 Schedule D Tax Worksheet by any of your capital gain excess not used in (1) above.
3. Reduce (but not below zero) the amount on your 2009 Schedule D (Form 1040), line 18, by your capital gain excess.
4. Include your capital gain excess as a loss on line 16 of your 2009 Unrecaptured Section 1250 Gain Worksheet in the 2009 Instructions for Schedule D (Form 1040).

## Line 13

If you used Schedule J to figure your tax for 2010 (that is, you entered the amount from the 2010 Schedule J, line 23, on line 44 of your 2010 Form 1040, on line 42 of your 2010 Form 1040NR, or on Form 1040X for 2010), enter on line 13 the amount from your 2010 Schedule J, line 3.

If you did not use Schedule J to figure your tax for 2010, enter on line 13 the taxable income from your 2010 tax return (or as previously adjusted by the IRS or corrected on an amended return). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 13.

If you did not file a tax return for 2010, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2010 until at least 3 years after April 17, 2012 (or the date you file your 2011 tax return, if later).

### Instructions for 2010 Taxable Income Worksheet

**Line 2.** Any net capital loss deduction on your 2010 Schedule D, line 21, is not allowed for income averaging purposes to the extent it did not reduce your capital loss carryover to 2011. This could happen if the taxable income before subtracting exemptions—shown on your 2010 Form 1040, line 41, or your 2010 Form 1040NR, line 39 (or as previously adjusted)—was less than zero. Enter on line 2 the amount by which your 2010 capital loss carryover to 2011 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2010 Schedule D, line 16, over the loss on your 2010 Schedule D, line 21.

**Line 3.** If you had an NOL for 2010, enter the amount of that NOL from line 25 of the 2010 Form 1045, Schedule A, you filed with Form 1045 or Form 1040X. If you did not have an NOL for 2010, enter the por-

tion, if any, of the NOL carryovers and carrybacks to 2010 that were not used in 2010 and were carried to years after 2010.

**Example.** John Farmington did not use income averaging for 2008, 2009, or 2010. The taxable income before subtracting exemptions on his 2010 Form 1040, line 41, is a negative \$1,000. This amount includes an NOL deduction on his 2010 Form 1040, line 21, of \$1,650. The \$1,650 is the portion of the 2009 NOL that was remaining from 2008 to be carried to 2010. See the examples, earlier. A deduction for exemptions of \$3,650 is shown on Form 1040, line 42, and line 43, taxable income, is limited to zero. John does not have an NOL for 2010. John subtracts from the \$1,000 negative amount on Form 1040, line 41, the \$3,650 deduction for exemptions. The result is a negative \$4,650, John's 2010 taxable income, which he enters as a positive amount on line 1 of the 2010 Taxable Income Worksheet.

When John filed his 2010 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 21 (which was also entered on Form 1040, line 13), a \$7,000 loss on Schedule D, line 16, and a \$5,000 capital loss carryover to 2011 (his 2010 capital loss carryover to 2011 was \$5,000, not \$4,000, because the amount on his Form 1040, line 41, was a negative \$1,000). John adds the \$3,000 from Schedule D, line 21, and the \$5,000 carryover. He subtracts from the \$8,000 result the \$7,000 loss on his Schedule D, line 16, and enters \$1,000 on line 2 of the worksheet.

John enters -0- on line 3 of the worksheet because he does not have an NOL for 2010 and did not have an NOL carryover from 2010 available to carry to 2011 and later years. The NOL deduction for 2010 of \$1,650 was reduced to zero because it did not exceed his modified taxable income of \$3,650. Modified taxable income is figured by adding back the \$3,000 net capital loss deduction and the \$3,650 exemption de-

duction to negative taxable income (figured without regard to the NOL deduction) of \$3,000. John enters \$1,000 on line 4 and \$3,650 on line 5. He enters \$3,650 as a negative amount on Schedule J, line 13. He enters \$6,000 on Schedule J, line 14, and \$2,350 on Schedule J, line 15. If he uses Schedule J to figure his tax for 2012, he will enter \$2,350 on his 2012 Schedule J as his 2010 taxable income for income averaging purposes.

## Line 16

If line 15 is zero or less, enter -0- on line 16. Otherwise, figure the tax on the amount on line 15 using:

- The 2010 Tax Rate Schedules, later,
- The 2010 Qualified Dividends and Capital Gain Tax Worksheet, later,
- The 2010 Schedule D Tax Worksheet in the 2010 Schedule D instructions (but use the 2010 Tax Rate Schedules when figuring the tax on the Schedule D Tax Worksheet, lines 34 and 36), or
- The 2010 Foreign Earned Income Tax Worksheet, later.

If your elected farm income includes net capital gain, you must use the 2010 Schedule D Tax Worksheet to figure the tax on the amount on line 15. However, if you filed Form 2555 or 2555-EZ for 2010, you must first complete the 2010 Foreign Earned Income Tax Worksheet, and then use the 2010 Schedule D Tax Worksheet to figure the tax on the amount on line 3 of that worksheet.

When completing the Schedule D Tax Worksheet, you must allocate 1/3 of the amount on line 2b (and 1/3 of the amount on line 2c, if any) to 2010. If for 2010 you had a capital loss that resulted in a capital loss carryover to 2011, do not reduce the elected farm income allocated to 2010 by any part of the carryover.

## 2010 Taxable Income Worksheet—Line 13

Keep for Your Records



Complete this worksheet if your 2010 taxable income was zero or less. See the instructions above before completing this worksheet.

- |                                                                                                                                                                                                                                                             |    |                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|----------------------|
| 1. Figure the taxable income from your 2010 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2010, <b>do not</b> include any NOL carryovers or carrybacks to 2010. Enter the result as a positive amount . . . . . | 1. | <input type="text"/> |
| 2. If there is a loss on your 2010 Schedule D, line 21, add that loss (as a positive amount) and your 2010 capital loss carryover to 2011. Subtract from that sum the amount of the loss on your 2010 Schedule D, line 16, and enter the result . . . . .   | 2. | <input type="text"/> |
| 3. If you had an NOL for 2010, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2010 that were not used in 2010 and were carried to years after 2010 . . . . .             | 3. | <input type="text"/> |
| 4. Add lines 2 and 3 . . . . .                                                                                                                                                                                                                              | 4. | <input type="text"/> |
| 5. Subtract line 4 from line 1. Enter the result as a <b>negative</b> amount on Schedule J, line 13 . . . . .                                                                                                                                               | 5. | <input type="text"/> |

**2010 Tax Rate Schedules—Line 16**

<b>Schedule X</b> —Use if your <b>2010</b> filing status was <b>Single</b> or you checked filing status box 1 or 2 on Form 1040NR					<b>Schedule Y-2</b> —Use if your <b>2010</b> filing status was <b>Married filing separately</b> or you checked filing status box 3, 4, or 5 on Form 1040NR				
If Schedule J, line 15, is: <i>Over</i> —	<i>But not over</i> —	Enter on Schedule J, line 16	<i>of the amount over</i> —		If Schedule J, line 15, is: <i>Over</i> —	<i>But not over</i> —	Enter on Schedule J, line 16	<i>of the amount over</i> —	
\$0	\$8,375	.....	<b>10%</b>	<b>\$0</b>	\$0	\$8,375	.....	<b>10%</b>	<b>\$0</b>
8,375	34,000	<b>\$837.50 +</b>	<b>15%</b>	<b>8,375</b>	8,375	34,000	<b>\$837.50 +</b>	<b>15%</b>	<b>8,375</b>
34,000	82,400	<b>4,681.25 +</b>	<b>25%</b>	<b>34,000</b>	34,000	68,650	<b>4,681.25 +</b>	<b>25%</b>	<b>34,000</b>
82,400	171,850	<b>16,781.25 +</b>	<b>28%</b>	<b>82,400</b>	68,650	104,625	<b>13,343.75 +</b>	<b>28%</b>	<b>68,650</b>
171,850	373,650	<b>41,827.25 +</b>	<b>33%</b>	<b>171,850</b>	104,625	186,825	<b>23,416.75 +</b>	<b>33%</b>	<b>104,625</b>
373,650	.....	<b>108,421.25 +</b>	<b>35%</b>	<b>373,650</b>	186,825	.....	<b>50,542.75 +</b>	<b>35%</b>	<b>186,825</b>
<b>Schedule Y-1</b> —Use if your <b>2010</b> filing status was <b>Married filing jointly</b> or <b>Qualifying widow(er)</b> or you checked filing status box 6 on Form 1040NR					<b>Schedule Z</b> —Use if your <b>2010</b> filing status was <b>Head of household</b>				
If Schedule J, line 15, is: <i>Over</i> —	<i>But not over</i> —	Enter on Schedule J, line 16	<i>of the amount over</i> —		If Schedule J, line 15, is: <i>Over</i> —	<i>But not over</i> —	Enter on Schedule J, line 16	<i>of the amount over</i> —	
\$0	\$16,750	.....	<b>10%</b>	<b>\$0</b>	\$0	\$11,950	.....	<b>10%</b>	<b>\$0</b>
16,750	68,000	<b>\$1,675.00 +</b>	<b>15%</b>	<b>16,750</b>	11,950	45,550	<b>\$1,195.00 +</b>	<b>15%</b>	<b>11,950</b>
68,000	137,300	<b>9,362.50 +</b>	<b>25%</b>	<b>68,000</b>	45,550	117,650	<b>6,235.00 +</b>	<b>25%</b>	<b>45,550</b>
137,300	209,250	<b>26,687.50 +</b>	<b>28%</b>	<b>137,300</b>	117,650	190,550	<b>24,260.00 +</b>	<b>28%</b>	<b>117,650</b>
209,250	373,650	<b>46,833.50 +</b>	<b>33%</b>	<b>209,250</b>	190,550	373,650	<b>44,672.00 +</b>	<b>33%</b>	<b>190,550</b>
373,650	.....	<b>101,085.50 +</b>	<b>35%</b>	<b>373,650</b>	373,650	.....	<b>105,095.00 +</b>	<b>35%</b>	<b>373,650</b>



Use this worksheet **only** if both of the following apply.

- Your elected farm income on your 2011 Schedule J, line 2a, does not include any net capital gain.
- You (a) entered qualified dividends on your 2010 Form 1040, line 9b (or your 2010 Form 1040A, line 9b, or 2010 Form 1040NR, line 10b); (b) entered capital gain distributions directly on your 2010 Form 1040, line 13 (or your 2010 Form 1040A, line 10, or 2010 Form 1040NR, line 14) and were not required to file Schedule D; or (c) filed Schedule D in 2010 and you answered “Yes” on lines 17 and 20 of that Schedule D.

1. Amount from your 2011 Schedule J, line 15. If for 2010 you filed Form 2555 or 2555-EZ, enter the amount from line 3 of the 2010 Foreign Earned Income Tax Worksheet . . . . .	1.	<input type="text"/>
2. Amount from your 2010 Form 1040, line 9b* (or your 2010 Form 1040A, line 9b, or 2010 Form 1040NR, line 10b) . . . . .	2.	<input type="text"/>
3. Did you file Schedule D in 2010?*		
<input type="checkbox"/> <b>Yes.</b> Enter the <b>smaller</b> of line 15 or 16 of your 2010 Schedule D, but do not enter less than -0-	3.	<input type="text"/>
<input type="checkbox"/> <b>No.</b> Enter the amount from your 2010 Form 1040, line 13 (or your 2010 Form 1040A, line 10, or 2010 Form 1040NR, line 14)		
4. Add lines 2 and 3 . . . . .	4.	<input type="text"/>
5. Amount, if any, from your 2010 Form 4952, line 4g . . . . .	5.	<input type="text"/>
6. Subtract line 5 from line 4. If zero or less, enter -0- . . . . .	6.	<input type="text"/>
7. Subtract line 6 from line 1. If zero or less, enter -0- . . . . .	7.	<input type="text"/>
8. Enter one of the following three amounts depending on your filing status:		
• \$34,000 if single or married filing separately, or if you checked filing status box 1, 2, 3, 4, or 5 on Form 1040NR;	8.	<input type="text"/>
• \$68,000 if married filing jointly or qualifying widow(er) or if you checked filing status box 6 on Form 1040NR;		
• \$45,550 if head of household.		
9. Enter the smaller of line 1 or line 8 . . . . .	9.	<input type="text"/>
10. Enter the smaller of line 7 or line 9 . . . . .	10.	<input type="text"/>
11. Subtract line 10 from line 9. This amount is taxed at 0% . . . . .	11.	<input type="text"/>
12. Enter the smaller of line 1 or line 6 . . . . .	12.	<input type="text"/>
13. Enter the amount from line 11 . . . . .	13.	<input type="text"/>
14. Subtract line 13 from line 12 . . . . .	14.	<input type="text"/>
15. Multiply line 14 by 15% . . . . .	15.	<input type="text"/>
16. Figure the tax on the amount on line 7. Use the 2010 Tax Rate Schedules . . . . .	16.	<input type="text"/>
17. Add lines 15 and 16 . . . . .	17.	<input type="text"/>
18. Figure the tax on the amount on line 1. Use the 2010 Tax Rate Schedules . . . . .	18.	<input type="text"/>
19. <b>Tax.</b> Enter the <b>smaller</b> of line 17 or line 18 here and on your 2011 Schedule J line 16. If for 2010 you filed Form 2555 or 2555-EZ, do not enter this amount on Schedule J, line 16. Instead, enter it on line 4 of the 2010 Foreign Earned Income Tax Worksheet . . . . .	18.	<input type="text"/>

\*If for 2010 you filed Form 2555 or 2555-EZ, see the footnote in the 2010 Foreign Earned Income Tax Worksheet before completing this line.

Use this worksheet if you claimed the foreign earned income exclusion or housing exclusion on your 2010 Form 1040 using Form 2555 or 2555-EZ. However, if Schedule J, line 15, is zero or less do not complete this worksheet.

1. Enter the amount from your 2011 Schedule J, line 15 . . . . .	1.	<input type="text"/>
2. Enter the amount from your (and your spouse's, if filing jointly) 2010 Form 2555, lines 45 and 50, or Form 2555-EZ, line 18 . . . . .	2.	<input type="text"/>
3. Add lines 1 and 2 . . . . .	3.	<input type="text"/>
4. <b>Tax on the amount on line 3.</b> Use the 2010 Tax Rate Schedules, the 2010 Qualified Dividends and Capital Gain Tax Worksheet,* or the 2010 Schedule D Tax Worksheet in the 2010 Schedule D instructions,* whichever applies. . . . .	4.	<input type="text"/>
5. <b>Tax on the amount on line 2.</b> Use the 2010 Tax Rate Schedules. . . . .	5.	<input type="text"/>
6. Subtract line 5 from line 4. Enter the result. If zero or less, enter -0-. Also include this amount on your 2011 Schedule J, line 16 . . . . .	6.	<input type="text"/>

*\*Enter the amount from line 3 above on line 1 of the 2010 Qualified Dividends and Capital Gain Tax Worksheet or the 2010 Schedule D Tax Worksheet if you use either of those worksheets to figure the tax on line 4 above. Complete the rest of that worksheet through line 6 (line 10 if you use the Schedule D Tax Worksheet). Next, you must determine if you had a capital gain excess. To find out if you had a capital gain excess, subtract the amount from your 2011 Schedule J, line 15, from line 6 of your 2010 Qualified Dividends and Capital Gain Tax Worksheet (line 10 of your 2010 Schedule D Tax Worksheet). If the result is more than zero, that amount is your capital gain excess.*

*If you did not have a capital gain excess, complete the rest of either of those worksheets according to the worksheet's instructions. Then complete lines 5 and 6 above.*

*If you had a capital gain excess, complete a second 2010 Qualified Dividends and Capital Gain Tax Worksheet or 2010 Schedule D Tax Worksheet (whichever applies) as instructed above but in its entirety and with the following additional modifications. Then complete lines 5 and 6 above. These modifications are to be made only for purposes of filling out the 2010 Foreign Earned Income Tax Worksheet above.*

1. Reduce (but not below zero) the amount you would otherwise enter on line 3 of your 2010 Qualified Dividends and Capital Gain Tax Worksheet or line 9 of your 2010 Schedule D Tax Worksheet by your capital gain excess.
2. Reduce (but not below zero) the amount you would otherwise enter on line 2 of your 2010 Qualified Dividends and Capital Gain Tax Worksheet or line 6 of your 2010 Schedule D Tax Worksheet, by any of your capital gain excess not used in (1) above.
3. Reduce (but not below zero) the amount on your 2010 Schedule D (Form 1040), line 18, by your capital gain excess.
4. Include your capital gain excess as a loss on line 16 of your 2010 Unrecaptured Section 1250 Gain Worksheet in the 2010 Instructions for Schedule D (Form 1040).

**Lines 19, 20, and 21**

If you amended your return or the IRS made changes to it, enter the corrected amount.

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