

GET THE
EARNED INCOME CREDIT
YOU DESERVE
SEE PAGE 5

Instructions for Form

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

1040

1992



Department of the Treasury
Internal Revenue Service

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Department
of the
Treasury

Internal
Revenue
Service

Instructions for Form 1040

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Answers to Frequently Asked Questions

How long will it take to get my refund? About 4 to 8 weeks after you mail your return. If you file electronically, it should take about 3 weeks. The earlier you file, the faster you'll get your refund. To check on the status of your refund, call **Tele-Tax**. See page 28 for the number.

Can I get the earned income credit? If you earn less than \$22,370 and a child lived with you, you may be able to take the credit. But other rules apply. For details, call Tele-Tax (see page 28 for the number) and listen to topic no. 402.

Although we supported our unmarried, 19-year-old daughter, she spent most of 1992 away from home at school. Can we claim her as a dependent? Yes. The time your child spends at school or on vacation counts as time lived with you.

I'm single, live alone, and have no dependents. Can I file as head of household? No. To use this filing status, you must have paid over half the cost of keeping up a home for a child or other qualifying person.

How can I get forms and publications? Call 1-800-829-3676 (see page 5 for the times to call); or visit your local IRS office, participating library, bank, or post office; or use the order blank on page 31.

I asked my employer several times for my W-2 form, but I still don't have it. What should I do? If you don't get it by February 16, call the toll-free number listed on page 30 for your area. We will ask you for certain information. For details, see **Step 1** on page 9.

I received an IRS notice. I've contacted the IRS at least three times about it, but the problem still hasn't been fixed. What can I do? Call your local IRS office and ask for Problem Resolution assistance. The number is listed in your phone book.

Can I take an IRA deduction for the amount I contributed to a 401(k) plan in 1992? No. A 401(k) plan is not an IRA. The amount you contributed is not included in box 10 of your W-2 form so you don't pay tax on it this year.

In addition to my regular job, I had a part-time business fixing cars. Do I have to report the money I made in 1992 fixing cars? Yes. This is self-employment income. You must report it on Schedule C or C-EZ. You may also have to file Schedule SE and pay self-employment tax.

A Note From the Commissioner

Dear Taxpayer:

As the Commissioner of Internal Revenue, I want to thank you on behalf of the government of the United States and every American citizen. Without your taxes, we could not provide essential social services; we could not defend ourselves; we could not fund scientific and health care research. Thank you for paying your taxes.

You are among the millions of Americans who comply with the tax law voluntarily. As a taxpayer and as a customer of the Internal Revenue Service, you deserve excellence in the services we provide; you deserve to be treated fairly, courteously and with respect; and you deserve to know that the IRS will ensure that others pay their fair share.

To fulfill our responsibilities to you, we are making major changes in the way we conduct our business. Under our new philosophy of tax administration, known as Compliance 2000, we are reaching out to provide education and assistance to taxpayers who need our help. One program is dedicated to bringing non-filers back into the system. We will work with every American who wants to "get right" with the government. At the same time, we will direct our enforcement efforts toward those who willfully fail to report and pay the proper amount of tax. All must pay their fair share, just as you are doing.

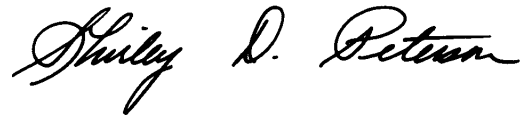
We realize that the tax law is complex and sometimes frustrating. We want to do what we can to make tax time easier for you. To that end, we are simplifying our forms and

procedures to reduce the burden on taxpayers. This year, we revised the tax table so that more taxpayers can simply look up the tax they owe instead of doing the arithmetic. Also, if you have a small business, check to see whether you can file new Schedule C-EZ, where taxable profit is computed in only three lines.

Don't forget the option to file your tax return electronically. Electronic returns are more accurate and you can get a faster refund.

Our goal is to transform the tax system by the end of this decade. To achieve the excellence in service that you deserve, we are literally "reinventing" the Internal Revenue Service, making our internal organization more efficient and less bureaucratic. As we improve our organizational structure, we also will do a better job of serving our customers, the taxpayers. We believe in accountability. Please let us know if you have any suggestions for ways to improve our service to you.

Thank you again for your dedication to our country.



Shirley D. Peterson



Fast Filing

Last year, over 10 million people filed their tax returns electronically by computer. Electronic filing is a fast and accurate way to file your return with the IRS. If you are expecting a refund, it will be issued within 3 weeks from the time the IRS accepts your return. If you have your refund directly deposited into your savings or checking account, you could receive your money even faster. Even if you are not expecting a refund, electronic filing is still a fast and accurate way to file your return.

Electronic filing is available whether you prepare your own return or use a preparer. In addition to many tax preparers, other firms are approved by the IRS to offer electronic filing services. An approved transmitter must sign your **Form 8453**, U.S. Individual Income Tax Declaration for Electronic Filing. For more details on electronic filing, see Tele-Tax (topic no. 112) on page 28.

Another way to file your return with the IRS is to file an "answer sheet" return. This return, called **Form 1040PC**, can be created only by using a personal computer. It can be processed faster and more accurately than the regular tax return. A paid tax preparer may give you Form 1040PC to sign and file instead of the tax return you are used to seeing. If you prepare your own return on a computer, you can produce Form 1040PC using one of the many tax preparation software programs sold in computer stores. The form is not available from the IRS. For more details, see Tele-Tax (topic no. 106) on page 28.

Privacy Act and Paperwork Reduction Act Notice

The Privacy Act of 1974 and Paperwork Reduction Act of 1980 say that when we ask you for information, we must first tell you our legal right to ask for the information, why we are asking for it, and how it will be used. We must also tell you what could happen if we do not receive it and whether your response is voluntary, required to obtain a benefit, or mandatory under the law.

This notice applies to tax returns and any papers filed with them. It also applies to any questions we need to ask you so we can complete, correct, or process your return; figure your tax; and collect tax, interest, or penalties.

Our legal right to ask for information is Internal Revenue Code sections 6001, 6011, and 6012(a) and their regulations. They say that you must file a return or statement with us for any tax you are liable for. Your response is mandatory under these sections. Code section 6109 and its regulations say that you must show your social security number on what you file. This is so we know who you are, and can process your return and papers. You must fill in all parts of the tax form that apply to you. But you do not have to check the boxes for the Presidential Election Campaign Fund.

We ask for tax return information to carry out the tax laws of the United States. We need it to figure and collect the right amount of tax.

We may give the information to the Department of Justice and to other Federal

agencies, as provided by law. We may also give it to cities, states, the District of Columbia, and U.S. commonwealths or possessions to carry out their tax laws. And we may give it to foreign governments because of tax treaties they have with the United States.

If you do not file a return, do not provide the information we ask for, or provide fraudulent information, the law says that you may be charged penalties and, in certain cases, you may be subject to criminal prosecution. We may also have to disallow the exemptions, exclusions, credits, deductions, or adjustments shown on the tax return. This could make the tax higher or delay any refund. Interest may also be charged.

Please keep this notice with your records. It may help you if we ask you for other information. If you have questions about the rules for filing and giving information, please call or visit any Internal Revenue Service office.

The Time It Takes To Prepare Your Return

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

We Welcome Comments on Forms

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

DO NOT send your return to either of these offices. Instead, see **Where Should I File?** on page 8.

Estimated Preparation Time

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

Form	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to the IRS
Form 1040	3 hr., 8 min.	2 hr., 42 min.	3 hr., 37 min.	49 min.
Sch. A (1040)	2 hr., 32 min.	24 min.	1 hr., 9 min.	27 min.
Sch. B (1040)	33 min.	10 min.	17 min.	20 min.
Sch. C (1040)	6 hr., 13 min.	1 hr., 5 min.	1 hr., 57 min.	25 min.
Sch. C-EZ (1040)	46 min.	4 min.	20 min.	20 min.
Sch. D (1040)	51 min.	55 min.	1 hr., 8 min.	42 min.
Sch. D-1 (1040)	13 min.	1 min.	13 min.	35 min.
Sch. E (1040)	2 hr., 52 min.	1 hr., 6 min.	1 hr., 16 min.	35 min.
Sch. EIC (1040)	39 min.	18 min.	48 min.	54 min.
Sch. F (1040):				
Cash Method	4 hr., 2 min.	34 min.	1 hr., 14 min.	20 min.
Accrual Method	4 hr., 22 min.	25 min.	1 hr., 19 min.	20 min.
Sch. R (1040)	20 min.	15 min.	22 min.	35 min.
Sch. SE (1040):				
Short	20 min.	13 min.	10 min.	14 min.
Long	26 min.	22 min.	38 min.	20 min.

Section 1.

Before You Fill In Form 1040

Operation Desert Storm. If you were a participant in Operation Desert Storm, the deadline for taking care of tax matters such as filing returns, making contributions to an IRA, or paying taxes, may be extended. For details, see *Tele-Tax* (topic no. 468) on page 28 or get **Pub. 945, Tax Information for Those Affected by Operation Desert Storm.**

What's New for 1992?

Increased Earned Income Credit. If you earned less than \$22,370 and a qualifying child lived with you, you may be able to take the earned income credit for 1992. Read the instructions for **Schedule EIC** that begin on page EIC-1 in this booklet to see if you can take the credit. Also, read Part I of Schedule EIC to see if you have a qualifying child.

Deduction for Exemptions. The deduction for each exemption—for you, your spouse, and dependents—has increased to \$2,300. But your deduction may be reduced or eliminated if your adjusted gross income is more than \$78,950. See the worksheet for line 36 on page 23.

Should You Itemize or Take the Standard Deduction? The standard deduction has increased. Because of this increase, it may be to your benefit to take the standard deduction this year even though you itemized deductions in the past. Read the instructions for line 34 on page 22.

Itemized Deductions. If your adjusted gross income is more than \$105,250 (more than \$52,625 if married filing separately), you may not be able to deduct all of your itemized deductions. Read the **Schedule A** instructions for line 26 on page A-5 in this booklet.

Expanded Form 1040 Tax Table. The ceiling for this tax table has been raised to \$100,000.

Tax Law Changes. For more information about tax law changes for 1992, get **Pub. 553, Highlights of 1992 Tax Changes.**

What Free Tax Help is Available?

Tax Forms and Publications. Most of your tax questions can be answered by reading the tax form instructions or one of our many free tax publications. See page 31.

Recorded Tax Information by Telephone. Our **Tele-Tax** service has recorded tax information covering about 140 topics. See page 28 for the number to call.

Refund Information. Tele-Tax can tell you the status of your refund. For details, see page 28.

Telephone Help. IRS representatives are available to help you with your tax questions. If, after reading the tax form instructions and publications, you are not sure how to fill in your return, or have a question about a notice you received from us, please call us. Use the number for your area on page 30.

Send the IRS Written Questions. You may send your written tax questions to your IRS District Director. If you don't have the address, you can get it by calling the number for your area on page 30.

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

Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE). These programs help older, disabled, low-income, and non-English-speaking people fill in their returns. For details, call the toll-free number for your area on page 30. If you received a Federal income tax package in the mail, take it with you when you go for help.

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

Large-Print Forms and Instructions. **Pub. 1614** has large-print copies of the 1992 Form 1040, Schedules A, B, D, E, EIC, and R, and their instructions. You can use the large-print copies of the form and schedules as worksheets to figure your tax. You can order **Pub. 1614** by calling the IRS toll-free at 1-800-TAX-FORM (1-800-829-3676) or you can use the order blank on page 31.

Telephone Help for Hearing-Impaired People is available. See page 30 for the number to call. **Braille Materials for the Blind** are available at regional libraries for the blind and the disabled.

Unresolved Tax Problems. The **Problem Resolution Program** is for people who have been unable to resolve their problems with the IRS. If you have a tax problem you cannot clear up through normal channels, write to your local IRS District Director or call your local IRS office and ask for Problem Resolution assistance. Hearing-impaired people who have access to TDD equipment may call 1-800-829-4059 to ask for help from Problem Resolution. This office cannot change the tax law or technical decisions. But it can help you clear up problems that resulted from previous contacts.

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

tion Center, Department 72, Pueblo, CO 81009.

Do You Need Additional Forms or Publications?

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

- Visit your local IRS office.
- Visit a participating bank or post office for Forms 1040, 1040A, 1040EZ, Schedules A, B, and EIC, Schedules 1 and 2, and their instructions.
- Visit a participating library, which stocks a wider variety of forms and publications.
- Use the order blank on page 31. You should either receive your order or notification of the status of your order within 7–15 work days after we receive your request.
- Call our toll-free order number 1-800-TAX-FORM (1-800-829-3676). The hours of operation during the filing season are **8:00 A.M. to 5:00 P.M. (weekdays)** and **9:00 A.M. to 3:00 P.M. (Saturdays)**. For callers in Alaska and Hawaii, the hours are Pacific Standard Time. For callers in Puerto Rico, the hours are Eastern Standard Time. You should either receive your order or notification of the status of your order within 7–15 work days after you call.

Can I Use Substitute Tax Forms?

Yes, but only if they meet the requirements in **Pub. 1167**. You can get **Pub. 1167** by writing to the Distribution Center for your state. See page 31 for the address.

Section 2.

Filing Requirements

The rules under **Do I Have To File?** apply to all U.S. citizens and resident aliens. They also apply to nonresident aliens and dual-status aliens who were married to U.S. citizens or residents at the end of 1992 and who have elected to be treated as resident aliens.

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

If you were a nonresident alien at any time during 1992, except as mentioned above, different rules apply. You may have to file **Form 1040NR, U.S. Nonresident Alien Income Tax Return.** Specific rules apply to determine if you are a resident or nonresident. Get **Pub. 519, U.S. Tax Guide for Aliens.**

Do I Have To File?

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

Note: Even if you do not have to file a return, you should file one to get a refund of any Federal income tax withheld. You should also file if you can take the earned income credit. If you file for either of these reasons only, you may be able to use Form 1040A. If you are single and file only to get a refund of tax withheld, you may be able to use Form 1040EZ.

Exception for Children Under Age 14. If your child was under age 14 on January 1, 1993, and **all three** of the following apply, you may elect to report your child's income on your return. But you must use **Form 8814, Parents' Election To Report Child's Interest and Dividends**, to do so. If you make this election, your child does not have to file a return.

1. Your child had income only from interest and dividends (including Alaska Permanent Fund dividends), and
2. Your child's gross income was more than \$500 but less than \$5,000, and
3. Your child had no Federal income tax withheld from his or her income (backup withholding) and did not make estimated tax payments for 1992.

If you and the child's other parent are not filing a joint return, special rules apply to determine which parent may make the election. See Form 8814 for details.

Chart A—For Most People

To use this chart, first find your marital status at the end of 1992. Then, read across to find your filing status and age at the end of 1992. You must file a return if your **gross income** was at least the amount shown in the last column. **Gross income** means all income you received in the form of money, goods, property, and services that is not exempt from tax, including any gain on the sale of your main home (even if you may exclude or postpone part or all of the gain). See page 13 to find out what types of income to include.

Marital status	Filing status	Age*	Gross income
Single (including divorced and legally separated)	Single	under 65 65 or older	\$5,900 \$6,800
	Head of household	under 65 65 or older	\$7,550 \$8,450
Married with a child and living apart from your spouse during the last 6 months of 1992	Head of household (see page 11)	under 65 65 or older	\$7,550 \$8,450
		Married and living with your spouse at end of 1992 (or on the date your spouse died)	Married, joint return	under 65 (both spouses) 65 or older (one spouse) 65 or older (both spouses)	$10,600 $11,300 $12,000
Married, not living with your spouse at end of 1992 (or on the date your spouse died)	Married, separate return	any age	\$2,300
	Married, joint or separate return	any age	\$2,300
Widowed before 1992 and not remarried in 1992	Single	under 65 65 or older	\$5,900 \$6,800
	Head of household	under 65 65 or older	\$7,550 \$8,450
	Qualifying widow(er) with dependent child (see page 11)	under 65 65 or older	\$8,300 \$9,000

* If you turned age 65 on January 1, 1993, you are considered to be age 65 at the end of 1992.

Chart B—For Children and Other Dependents (See the instructions for line 6c on page 12 to find out if someone can claim you as a dependent.)

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

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

Caution: *If your gross income was \$2,300 or more, you usually cannot be claimed as a dependent unless you were under 19 or under 24 and a student. For details, see Test 4—Income on page 12.*

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

Your unearned income was:	and	The total of that income plus your earned income was:
\$1 or more		more than \$600
\$0		more than \$3,600

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

- Your earned income was more than \$4,500 (\$5,400 if 65 or older **and** blind), or
- Your unearned income was more than \$1,500 (\$2,400 if 65 or older **and** blind), or
- Your gross income was more than the total of your earned income (up to \$3,600) or \$600, whichever is larger, plus \$900 (\$1,800 if 65 or older **and** blind).

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

- Your earned income was more than \$3,000, or
- You had any unearned income and your gross income was more than \$600, or
- Your gross income was at least \$5 and your spouse files a separate return on Form 1040 and itemizes deductions.

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

- Your earned income was more than \$3,700 (\$4,400 if 65 or older **and** blind), or
- Your unearned income was more than \$1,300 (\$2,000 if 65 or older **and** blind), or
- Your gross income was more than the total of your earned income (up to \$3,000) or \$600, whichever is larger, plus \$700 (\$1,400 if 65 or older **and** blind), or
- Your gross income was at least \$5 and your spouse files a separate return on Form 1040 and itemizes deductions.

Chart C—Other Situations When You Must File

If any of the four conditions below applied to you for 1992, you must file a return.

1. You owe any special taxes, such as:

- Social security and Medicare tax on tips you did not report to your employer,
- Uncollected social security and Medicare or RRTA tax on tips you reported to your employer,
- Uncollected social security and Medicare or RRTA tax on group-term life insurance,
- Alternative minimum tax,
- Tax on a qualified retirement plan, including an individual retirement arrangement (IRA), or
- Tax from recapture of investment credit, low-income housing credit, or recapture tax on the disposition of a home purchased with a federally subsidized mortgage. (See the instructions for line 49 on page 25.)

2. You received any advance earned income credit (AEIC) payments from your employer. These payments should be shown in box 8 of your W-2 form.

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

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

3. You had **only wages, salaries, tips, taxable scholarship and fellowship grants, and not more than \$400 of taxable interest income.**

4. Your taxable income is less than \$50,000.

5. You did not receive any advance earned income credit (AEIC) payments.

6. You do not itemize deductions or claim any adjustments to income or tax credits.

7. Your total wages were not over \$55,500 if you had more than one employer.

You May Be Able To Use Form 1040A If:

1. You had income **only** from wages, salaries, tips, taxable scholarship and fellowship grants, pensions or annuities, taxable social security benefits, payments from your individual retirement account (IRA), unemployment compensation, interest, or dividends.
2. Your taxable income is less than \$50,000.
3. You do not itemize deductions.

You can also use Form 1040A to claim the earned income credit, the deduction for certain contributions to an IRA, nondeductible contributions to an IRA, the credit for child and dependent care expenses, and the credit for the elderly or the disabled. You may use it even if you made estimated tax payments for 1992 or if you can take the exclusion of interest from series EE U.S. savings bonds issued after 1989.

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

You Must Use Form 1040 If:

1. Your taxable income is \$50,000 or more.
2. You itemize deductions. Read the instructions for line 34 on page 22 to see if it would benefit you to itemize.
3. You received or paid accrued interest on securities transferred between interest payment dates.
4. You received any nontaxable dividends, capital gain distributions, or Alaska Permanent Fund dividends.
5. You are required to fill in Part III of Schedule B for foreign accounts and foreign trusts (see page B-1).
6. You received taxable refunds (including credits or offsets) of state and local income taxes, alimony, or any of the types of income listed in the instructions for line 22 on page 18.
7. You were self-employed, a partner in a partnership, a shareholder in an S corporation, a beneficiary of an estate or trust, had rental or royalty income and expenses, or had farm income and expenses.
8. You sold or exchanged capital assets or business property.
9. You paid alimony or a penalty on the early withdrawal of savings, or you can take any of the adjustments listed in the instructions for line 30 on page 21.
10. You claim the foreign tax credit, any of the general business credits (see the instructions for line 44), the mortgage interest credit, the credit for prior year minimum tax, or the credit for fuel produced from a non-conventional source.
11. You owe any of the following taxes—
 - a. Tax on accumulation distribution of trusts or lump-sum distributions,
 - b. Alternative minimum tax,
 - c. Recapture taxes,
 - d. Social security and Medicare tax on tip income not reported to your employer,
 - e. Write-in taxes included on line 53 (see page 25 for details),

Which Form Should I Use?

You May Be Able To Use Form 1040EZ If:

1. You were single and do not claim any dependents.
2. You were not 65 or older OR blind.

f. Tax on qualified retirement plans, including IRAs. If you are filing only because you owe this tax, you only have to file **Form 5329**.

12. You claim the regulated investment company credit, the credit for Federal tax paid on fuels, or the credit for overpaid windfall profit tax.

13. You file any of these forms:

Form 2119, Sale of Your Home, for the year you sell your home.

Form 2555, Foreign Earned Income.

Form 2555-EZ, Foreign Earned Income Exclusion.

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

Form 8271, Investor Reporting of Tax Shelter Registration Number.

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

When Should I File?

You should file as soon as you can after January 1, but not later than April 15, 1993.

If you file late, you may have to pay penalties and interest. See **Penalties and Interest** on page 34.

If you know that you cannot file your return by the due date, you should file **Form 4868**, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return, by April 15, 1993.

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

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

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

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

Where Should I File?

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

Where To File

If you live in:	Use this address:
Florida, Georgia, South Carolina	Atlanta, GA 39901
New Jersey, New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester)	Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Illinois, Iowa, Minnesota, Missouri, Wisconsin	Kansas City, MO 64999
Delaware, District of Columbia, Maryland, Pennsylvania, Virginia	Philadelphia, PA 19255
Indiana, Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
California (all other counties), Hawaii	Fresno, CA 93888
Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Tennessee	Memphis, TN 37501
American Samoa	Philadelphia, PA 19255
Guam	Commissioner of Revenue and Taxation 855 West Marine Dr. Agana, GU 96910
Puerto Rico (or if excluding income under section 933)	Philadelphia, PA 19255
Virgin Islands: Nonpermanent residents	
Virgin Islands: Permanent residents	V.I. Bureau of Internal Revenue Lockharts Garden No. 1A Charlotte Amalie, St. Thomas, VI 00802
Foreign country: U.S. citizens and those filing Form 2555, Form 2555-EZ, or Form 4563	Philadelphia, PA 19255
All A.P.O. and F.P.O. addresses	Philadelphia, PA 19255

Section 3.

Steps for Preparing Form 1040

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

Step 1—Get All of Your Records Together

Income Records. These include any Forms W-2, W-2G, and 1099 that you may have.

If you don't get a Form W-2 by February 1, 1993, or if the one you get isn't correct, please contact your employer as soon as possible. Only your employer can give you a Form W-2 or correct it. If you cannot get a Form W-2 by February 16, call the toll-free telephone number listed on page 30 for your area. You will be asked for your employer's name, address, telephone number, and, if known, identification number. You will also be asked for your address, social security number, daytime telephone number, dates of employment, and your best estimate of your total wages and Federal income tax withheld.

Itemized Deductions and Tax Credits. Pages 23, 24, 26, and A-1 through A-5 of these instructions tell you what credits and itemized deductions you can take. Some of the records you may need are:

- Medical and dental payment records.
- Real estate and personal property tax receipts.
- Interest payment records for your home mortgage.
- Records of payments for child care so you could work.

Step 2—Get Any Forms, Schedules, or Publications You Need

In general, we mail forms and schedules to you based on what you filed last year. Before you fill in your return, look it over to see if you need more forms or schedules. If you do, get them before you start to fill in your return. See **Do You Need Additional Forms or Publications?** on page 5.

Step 3—Fill in Your Return

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

If you need more space on forms or schedules, attach separate sheets. Use the same

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

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

Read **Avoid Common Mistakes** below. Errors may delay your refund.

Avoid Common Mistakes

1. If a child lived with you and your adjusted gross income on Form 1040, line 31, is under \$22,370, read the instructions for Schedule EIC that begin on page EIC-1 to see if you can take the earned income credit.
2. If you are taking the standard deduction and you check any box on line 33a or 33b, be sure you see page 22 to find the amount to enter on line 34.
3. If you (or your spouse if you can check the box on line 6b) were age 65 or older or blind, check the appropriate boxes on line 33a.
4. Make sure your name, address, and social security number are correct on the label. If not, enter the correct information.
5. If you are married filing a joint return and didn't get a label, or you are married filing a separate return, enter your spouse's social security number in the space provided on page 1 of Form 1040. Be sure you enter your social security number next to your name.
6. Check your computations (additions, subtractions, etc.) especially when figuring your total income, Federal income tax withheld, and your refund or amount you owe.
7. If you owe self-employment tax, enter one-half of that tax on line 25.
8. If you received capital gain distributions but you don't need to file Schedule D, enter those distributions on Form 1040, line 14.
9. Attach your W-2 form(s) and other required forms and schedules. Be sure you put all forms and schedules in the proper order. See **Step 6**.
10. Don't forget to sign and date Form 1040 and enter your occupation.

Step 5—Sign and Date Your Return

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

before filing a return for 1992, see **Death of Taxpayer** on page 33.

Step 6—Attach All Required Forms and Schedules

Attach the first copy or Copy B of Forms W-2 and W-2G to the front of Form 1040. If you received a 1992 Form 1099-R showing Federal income tax withheld, also attach the first copy or Copy B of that Form 1099-R to the front of Form 1040. The amount of Federal income tax withheld should be shown in box 4 of Form 1099-R.

Attach all other schedules and forms behind Form 1040 in order of the "Attachment Sequence No." shown in the upper right corner of the schedule or form. For example, the attachment sequence no. for Schedule A (Form 1040) is 07. Attach forms without an attachment sequence number and any additional sheets at the end of your return.

If you owe tax, be sure to attach your payment to the front of Form 1040 on top of any Form(s) W-2, W-2G, and 1099-R.

Section 4.

Line Instructions for Form 1040

Name, Address, and Social Security Number

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

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

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

Address Change. If the address on your mailing label is not your current address, cross out your old address and print your new address. If you move after you file your return, see page 33.

Name Change. If you changed your name because of marriage, divorce, etc., be sure to report this to your local Social Security Administration (SSA) office before filing your return so that the SSA has the same name in its records that you have on your tax return. This prevents delays in processing your return and issuing refunds. It also safeguards your future social security benefits. If

you received a mailing label, cross out your former name and print your new name.

Deceased Taxpayer. See **Death of Taxpayer** on page 33.

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

Social Security Number. Enter your social security number in the area marked "Your social security number." If you are married, enter your husband's or wife's social security number in the area marked "Spouse's social security number." Be sure the number you enter agrees with the number shown on your social security card. Also, check that your social security number is correct on your Forms W-2 and 1099. See page 33 for more details.

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

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

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

Foreign Address. If your address is outside of the United States or its possessions or territories, enter the information on the line for "City, town or post office, state, and ZIP code" in the following order: city, province or state, postal code, and the name of the country. **Do not** abbreviate the country name.

Presidential Election Campaign Fund

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

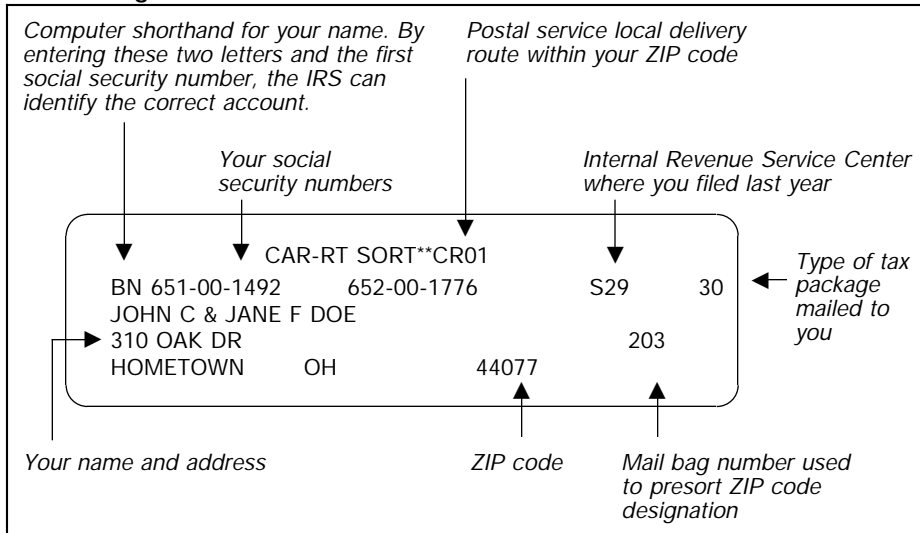
Filing Status

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

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

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

Your Mailing Label—What Does It Mean?



Line 1

Single

You may check the box on line 1 if **any** of the following was true on December 31, 1992:

- You were never married, or
- You were legally separated, according to your state law, under a decree of divorce or of separate maintenance, or
- You were widowed before January 1, 1992, and did not remarry in 1992.

If you had a child living with you, you may be able to take the earned income credit on line 56. Read the Schedule EIC instructions that begin on page EIC-1 to see if you can take the credit.

Line 2

Married Filing Joint Return

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

- You were married as of December 31, 1992, even if you did not live with your spouse at the end of 1992, or
- Your spouse died in 1992 and you did not remarry in 1992, or
- Your spouse died in 1993 before filing a 1992 return. For details on how to file the joint return, see **Death of Taxpayer** on page 33.

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

If you file a joint return for 1992, you may not, after the due date for filing that return, amend that return to file as married filing a separate return.

Special Rule for Aliens. If at the end of 1992 you were a nonresident alien or dual-status alien married to a U.S. citizen or resident alien, you may be able to file a joint return with your spouse. If you do file a joint return, you and your spouse must agree to be taxed on your combined worldwide income. For more details, get **Pub. 519**, U.S. Tax Guide for Aliens.

Line 3

Married Filing Separate Return

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

- You cannot take the standard deduction if your spouse itemizes deductions.
- You cannot take the credit for child and dependent care expenses in most cases.
- You cannot take the earned income credit.
- You cannot exclude the interest from series EE U.S. savings bonds issued after 1989, even if you paid higher education expenses in 1992.
- You cannot take the credit for the elderly or the disabled if you lived with your spouse at any time in 1992.
- You may have to include in income up to one-half of any social security or equivalent railroad retirement benefits you received in 1992.
- Generally, you report only your own income, exemptions, deductions, and credits. Different rules apply to people who live in community property states. See page 13.

But you may be able to file as head of household if you had a child living with you and you lived apart from your spouse during the last 6 months of 1992. See **Married Persons Who Live Apart** on this page.

Line 4

Head of Household

This filing status is for unmarried individuals who provide a home for certain other persons. Also, if you were married in 1992, had a child living with you, and lived apart from your spouse during the last 6 months of 1992, you may be able to file as head of household. See **Married Persons Who Live Apart** below.

You may check the box on line 4 **only if** on December 31, 1992, you were unmarried or legally separated and:

- You paid over half the cost of keeping up a home that was the main home for all of 1992 of your **parent** whom you claim as a dependent. Your parent did not have to live with you in your home; **or**
- You paid over half the cost of keeping up a home in which you lived and in which one of the following also lived for more than 6 months of the year (temporary absences, such as for vacation or school, count as time lived in the home):

1. Your **unmarried** child, grandchild, great-grandchild, etc., adopted child, or stepchild. This child does not have to be your dependent. But your foster child must be your dependent.

2. Your **married** child, grandchild, great-grandchild, etc., adopted child, or stepchild. This child must be your dependent. But if your married child's other parent claims him or her as a dependent under the rules on page 12 for **Children of Divorced or Separated Parents**, this child does not have to be your dependent.

3. Any other relative whom you can claim as a dependent. For the definition of a relative, see **Test 1** on page 12. But for this purpose, the **Exception** at the end of that test doesn't apply.

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

If the person for whom you kept up a home was born or died in 1992, you may still file as head of household as long as the home was that person's main home for the part of the year he or she was alive.

You **do not** qualify as head of household if your child, parent, or relative described above is your dependent under the rules on page 12 for **Person Supported by Two or More Taxpayers**.

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

Married Persons Who Live Apart. Even if you were not divorced or legally separated in 1992, you may be considered unmarried and file as head of household. You may also be able to take the credit for child and dependent care expenses and the earned income credit. You can take the standard

deduction even if your spouse itemizes deductions.

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

1. You file a separate return from your spouse.
2. You lived apart from your spouse during the last 6 months of 1992.
3. You paid over half the cost of keeping up your home for 1992.
4. Your home was the main home of your child, stepchild, adopted child, or foster child for more than 6 months of 1992.
5. You claim this child as your dependent or the child's other parent claims him or her under the rules on page 12 for **Children of Divorced or Separated Parents**.

Line 5

Qualifying Widow(er) With Dependent Child

You may check the box on line 5 and use joint return tax rates for 1992 if **all five** of the following apply:

1. Your spouse died in 1990 or 1991 and you did not remarry in 1992.
2. You have a child, stepchild, adopted child, or foster child whom you can claim as a dependent.
3. This child lived in your home for all of 1992. Temporary absences, such as for vacation or school, count as time lived in the home.
4. You paid over half the cost of keeping up your home for this child.
5. You could have filed a joint return with your spouse the year he or she died, even if you didn't actually do so.

Do not claim an exemption for your spouse.

If your spouse died in 1992, you may not file as qualifying widow(er) with dependent child. Instead, see the instructions for line 2.

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

Exemptions

For each exemption you can take, you generally can deduct \$2,300 on line 36.

Line 6a

Yourself

Check the box on line 6a **unless** your parent (or someone else) can claim you as a dependent on his or her tax return. For example, if your parents (or someone else) could claim you as a dependent on their return but they chose not to claim you, **do not** check the box on line 6a.

Line 6b

Spouse

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

If you were divorced or legally separated at the end of 1992, you cannot take an exemption for your former spouse. If your divorce was not final (an interlocutory decree), you are considered married for the whole year.

Death of Your Spouse. If your spouse died in 1992 and you did not remarry by the end of 1992, check the box on line 6b if you could have taken an exemption for your spouse on the date of death. For other filing instructions, see **Death of Taxpayer** on page 33.

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

Line 6c

Dependents

You can take an exemption for each of your dependents who was alive during some part of 1992. This includes a baby **born** in 1992 or a person who **died** in 1992. Get **Pub. 501**, Exemptions, Standard Deduction, and Filing Information, for more details. Any person who meets **all five** of the following tests qualifies as your dependent.

Test 1—Relationship

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

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

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

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

Test 2—Married Person

If the person is married and files a joint return, you cannot take an exemption for the

person. However, if neither the person nor the person's spouse is required to file but they file a joint return only to get a refund of all tax withheld, you may claim him or her if the other four tests are met.

Test 3—Citizen or Resident

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

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

Test 4—Income

Generally, the person's gross income must be less than \$2,300. Gross income does not include nontaxable income, such as welfare benefits or nontaxable social security benefits.

Income earned by a permanently and totally disabled person for services performed at a sheltered workshop school is generally not included for purposes of the income test. See Pub. 501 for details.

Exception for Your Child. Your child can have gross income of \$2,300 or more if:

1. Your child was **under age 19** at the end of 1992, **or**
2. Your child was **under age 24** at the end of 1992 **and** was a **student**.

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

- Was enrolled as a full-time student at a school during any 5 months of 1992, or
- Took a full-time, on-farm training course during any 5 months of 1992. The course had to be given by a school or a state, county, or local government agency.

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

Test 5—Support

The general rule is that you had to provide over half the person's total support in 1992. If you file a joint return, support can come from either spouse. If you remarried, the support provided by your new spouse is treated as support coming from you. For exceptions to the support test, see **Children of Divorced or Separated Parents and Person Supported by Two or More Taxpayers** on this page.

Support includes food, a place to live, clothing, medical and dental care, and education. It also includes items such as a car and furniture, but only if they are for the person's own use or benefit. In figuring total support:

- Use the actual cost of these items, but figure the cost of a place to live at its fair rental value.
- Include money the person used for his or her own support, even if this money was not taxable. Examples are gifts, savings, social security and welfare benefits, and other public assistance payments. This support is treated as **not** coming from you.

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

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

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

The general rule is that the custodial parent is treated as having provided over half of the child's total support if both parents together paid over half of the child's support. This means that the custodial parent can claim the child as a dependent if the other dependency tests are also met.

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

1. The custodial parent agrees not to claim the child's exemption for 1992 by signing **Form 8332** or a similar statement. But you (as the noncustodial parent) **must** attach this signed Form 8332 or similar statement to your return. Instead of attaching Form 8332, you can attach a copy of certain pages of your divorce decree or separation agreement if it went into effect after 1984 (see **Children Who Didn't Live With You Due to Divorce or Separation** on page 13), **or**

2. Your divorce decree or written separation agreement went into effect before 1985 and it states that you (the noncustodial parent) can claim the child as a dependent. But you must have given at least \$600 for the child's support in 1992. Also, you must check the pre-1985 agreement box on line 6d. This rule does not apply if your decree or agreement was changed after 1984 to say that you cannot claim the child as your dependent.

Person Supported by Two or More Taxpayers. Even if you did not pay over half of another person's support, you might still be able to claim him or her as a dependent if **all five** of the following apply:

1. You and one or more other eligible person(s) together paid over half of another person's support.
2. You paid over 10% of that person's support.
3. No one alone paid over half of that person's support.
4. Tests 1 through 4 on this page are met.
5. Each eligible person who paid over 10% of support completes **Form 2120**, Multiple Support Declaration, and you attach these forms to your return. The form states that only you will claim the person as a dependent for 1992.

An **eligible person** is someone who could have claimed another person as a dependent except that he or she did not pay over half of that person's support.

Columns (1) through (5)

After you have figured out who you can claim as a dependent, fill in the columns on line 6c. If you have more than six dependents,

attach a statement to your return. Give the same information as in columns (1) through (5) for each dependent.

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

Column (2). If your dependent was under age 1 on December 31, 1992, put a checkmark in column (2).

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

Your dependent can get a number by filing **Form SS-5** with your local Social Security Administration (SSA) office. It usually takes about 2 weeks to get a number. If your dependent won't have a number when you are ready to file your return, ask the SSA to give you a receipt. When you file your return, enter "Applied for" in column (3). If the SSA gave you a receipt, attach a copy of it to your return. If your dependent lives in Canada or Mexico, see Pub. 501 for details on how to get a social security number.

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

Column (5). Enter the number of months your dependent lived with you in 1992. Do not enter more than 12. Count temporary absences such as school or vacation as time lived in your home. If your dependent was born or died in 1992, enter "12" in this column. If your dependent lived in Canada or Mexico during 1992, don't enter a number. Instead, enter "CN" or "MX," whichever applies.

Children Who Didn't Live With You Due to Divorce or Separation. If you are claiming a child who didn't live with you under the rules on page 12 for **Children of Divorced or Separated Parents**, enter the total number of such children on the line to the right of line 6c labeled "No. of your children on 6c who: didn't live with you due to divorce or separation." If you put a number on this line, you **must** do one of the following:

- **Check the box on line 6d** if your divorce decree or written separation agreement went into effect before 1985 and it states that you can claim the child as your dependent.

- Attach **Form 8332** or similar statement to your return. If your divorce decree or separation agreement went into effect after 1984 and it unconditionally states that you can claim the child as your dependent, you may attach a copy of the following pages from the decree or agreement instead of Form 8332:

1. Cover page (enter the other parent's social security number on this page),

2. The page that unconditionally states you can claim the child as your dependent, and

3. Signature page showing the date of the agreement.

Other Dependent Children. Enter the total number of children who did not live with you for reasons other than divorce or separation on the line labeled "No. of other dependents on 6c." Include dependent children who lived in Canada or Mexico during 1992.

Income

Examples of Income You Must Report

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

- Scholarship and fellowship grants (see the instructions for line 7).
- Original Issue Discount (Schedule B).
- Distributions from SEPs and DECs.
- Amounts received in place of wages from accident and health plans (including sick pay and disability pensions) if your employer paid for the policy.
- Bartering income (fair market value of goods or services you received in return for your services).
- Tier 2 and supplemental annuities under the Railroad Retirement Act.
- Life insurance proceeds from a policy you cashed in if the proceeds are more than the premiums you paid.
- Your share of income from S corporations, partnerships, estates, and trusts (Schedules B, D, or E).
- Endowments.
- Lump-sum distributions (Form 4972). (See page 17.)
- Gains from the sale or exchange (including barter) of real estate, securities, coins, gold, silver, gems, or other property (Schedule D or Form 4797).
- Gain from the sale or exchange of your main home (Schedule D and Form 2119).
- Accumulation distributions from trusts (Form 4970).
- Prizes and awards.
- Gambling winnings (including lotteries, contests, raffles, etc.).
- Earned income, such as wages and tips, from sources outside the United States (Form 2555 or Form 2555-EZ).
- Unearned income, such as interest, dividends, and pensions, from sources outside the United States unless exempt by law or a tax treaty.
- Director's fees.
- Fees received as an executor or administrator of an estate.
- Embezzled or other illegal income.

U.S. Citizens Living Abroad

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

Examples of Income You Do Not Report

Do not include the following types of income when you decide if you must file a return.

- Welfare benefits.
- Disability retirement payments and other benefits paid by the Department of Veterans' Affairs.
- Workers' compensation benefits, insurance, damages, etc., for injury or sickness.

Punitive damages received in cases not involving physical injury or sickness usually must be reported as income. Get **Pub. 525**, Taxable and Nontaxable Income.

- Child support.
- Money or property that was inherited, willed to you, or received as a gift.
- Dividends on veterans' life insurance.
- Life insurance proceeds received because of a person's death.
- Amounts you received from insurance because you lost the use of your home due to fire or other casualty to the extent the amounts were more than the cost of your normal expenses while living in your home. Reimbursements for normal living expenses must be reported as income.
- Certain amounts received as a scholarship grant (see the instructions for line 7).
- Cancellation of certain student loans if, under the terms of the loan, the student performs certain professional services for any of a broad class of employers. Get **Pub. 520**, Scholarships and Fellowships.

Community Property States

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

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

- You and your spouse lived apart all year,
- You do not file a joint return, and
- None of the community income you earned was transferred to your spouse.

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

Rounding Off to Whole Dollars

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

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

Line 7

Wages, Salaries, Tips, etc.

Show the total of all wages, salaries, fees, commissions, tips, bonuses, supplemental unemployment benefits, and other amounts you were paid before taxes, insurance, etc., were taken out. For a joint return, be sure to include your spouse's income on line 7.

Include in this total:

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

- Tips received that you did not report to your employer.

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

Use **Form 4137, Social Security and Medicare Tax on Unreported Tip Income**, to figure any social security and Medicare tax on unreported or allocated tips. See the instructions for line 50 on page 25.

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

Note: *Disability pensions received after you reach your employer's minimum retirement age and other pensions shown on Form 1099-R (other than payments from an IRA) are reported on lines 17a and 17b of Form 1040. Payments from an IRA are reported on lines 16a and 16b.*

- Payments by insurance companies, etc., not included on Form W-2. If you received sick pay or a disability payment from anyone other than your employer, and it is not included in the wages shown on Form W-2, include it on line 7. Attach a statement showing the name and address of the payer and amount of sick pay or disability income. Get **Form W-4S** for details on withholding of Federal income tax from your sick pay.
- Fair market value of meals and living quarters if given by your employer as a matter of your choice and not for your employer's convenience. Don't report the value of meals given to you at work if they were provided for your employer's convenience. Also, don't report the value of living quarters you had to accept on your employer's business premises as a condition of employment.
- Strike and lockout benefits paid by a union from union dues. Include cash and the fair market value of goods received. Don't report benefits that were gifts.
- Any amount your employer paid for your moving expenses, including the value of services furnished in kind, that is not included in box 10 on Form W-2.

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

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

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

If you are deducting business expenses as a statutory employee, report the amount shown in box 10 of your W-2 form and your

expenses on Schedule C or Schedule C-EZ. If you are not deducting business expenses, report your income on line 7.

Employer-Provided Vehicle. If you used an employer-provided vehicle for both personal and business purposes and 100% of the annual lease value of the vehicle was included in the wages box (box 10) of your W-2 form, you may be able to deduct the business use of the vehicle on Schedule A. But you must use **Form 2106, Employee Business Expenses**, to do so. The total annual lease value of the vehicle should be shown in either box 23 or 18 of your W-2 form or on a separate statement. For more details, get **Pub. 917, Business Use of a Car**.

Excess Salary Deferrals. If you chose to have your employer contribute part of your pay to certain retirement plans (such as a 401(k) plan or the Federal Thrift Savings Plan) instead of having it paid to you, the "Deferred compensation" box in box 6 of your W-2 form should be checked. The amount deferred should be shown in box 17. The total amount that may be deferred for 1992 under all plans is generally limited to \$8,728. But a different limit may apply if amounts were deferred under a tax-sheltered annuity plan or an eligible plan of a state or local government or tax-exempt organization. For details, get **Pub. 575, Pension and Annuity Income (Including Simplified General Rule)**. Any amount deferred in excess of these limits must be reported on Form 1040, line 7.

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

Employer-Provided Dependent Care Benefits (DCB). If you received benefits for 1992 under your employer's dependent care plan, you may be able to exclude part or all of them from your income. But you must use **Form 2441, Child and Dependent Care Expenses**, to do so. The benefits should be shown in box 22 of your W-2 form(s).

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

Caution: *If you have a child who was born in 1992 and you earned less than \$22,370, you may be able to take the extra credit for a child born in 1992 on Schedule EIC. But you cannot take the extra credit and the exclusion of employer-provided dependent care benefits for the same child. To see which would benefit you more, read A Change To Note in the Instructions for Form 2441.*

Scholarship and Fellowship Grants. If you received a scholarship or fellowship that was granted after August 16, 1986, part or all of it may be taxable even if you didn't receive a W-2 form. If you were a degree candidate, the amounts you used for expenses other than tuition and course-related expenses are taxable. For example, amounts used for room, board, and travel are taxable. If you were not a degree candidate, the full amount of the scholarship or fellowship is taxable.

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

Line 8a

Taxable Interest Income

Report all of your taxable interest income on line 8a even if it is \$400 or less. If the total is over \$400 or you are claiming the exclusion of interest from series EE U.S. savings bonds issued after 1989, first fill in Schedule B (see page B-1). Also, fill in Schedule B if you received, as a nominee, interest that actually belongs to someone else, or any of the other special rules listed on page B-1 apply to you.

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

Report any interest you received or that was credited to your account so you could withdraw it, even if it wasn't entered in your passbook. Interest credited in 1992 on deposits that you could not withdraw because of the bankruptcy or insolvency of the financial institution may not have to be included in your 1992 income. For details, get **Pub. 550, Investment Income and Expenses**.

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

Examples of Taxable Interest Income You Must Report

Report interest from:

- Accounts (including certificates of deposit and money market accounts) with banks, credit unions, and savings and loan associations.
- Building and loan accounts.
- Notes, loans, and mortgages. Special rules apply to loans with below-market interest rates. See Pub. 550.
- Tax refunds. Report only the interest on them as interest income.
- Insurance companies if paid or credited on dividends left with the company.
- Bonds and debentures. Also, arbitrage bonds issued by state and local governments after October 9, 1969. (Report interest on other state and local bonds and securities on line 8b.) Also, report as interest on line 8a any gain on the disposition of certain market discount bonds issued to you after July 18, 1984, to the extent of the accrued market discount. For taxable bonds acquired after 1987, reduce your interest income on the bonds by the amount of any amortizable bond premium. Do not deduct the premium as interest expense on Schedule A. See the Schedule B instructions on page B-1.
- U.S. Treasury bills, notes, and bonds.
- U.S. savings bonds. The interest is the yearly increase in the value of the bond. Interest on series E or EE bonds can be reported using method a or b below:

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

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

If you change to method b, report the entire increase in all your bonds from the date they were issued. Each year after report

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

Note: If you receive a 1992 Form 1099-INT for U.S. savings bond interest that includes amounts you reported before 1992, see Pub. 550.

- Original issue discount (OID). This is the difference between the issue price of a debt instrument and the stated redemption price at maturity. If the instrument was issued at a discount after May 27, 1969 (or for certain noncorporate instruments, after July 1, 1982), include in your interest income the discount for the part of the year you held it. The taxable OID may be more or less than the amount shown on Form 1099-OID.

If you bought a corporate debt instrument at original issue and held it for all of 1992 or the part of 1992 that it was outstanding, include in interest income the total OID from Form 1099-OID. Get **Pub. 1212**, List of Original Issue Discount Instruments, to figure the taxable OID for other corporate debt instruments and noncorporate debt instruments (such as zero coupon U.S. Treasury-backed securities).

If you had OID for 1992 but did not receive Form 1099-OID, or if the price you paid for the instrument is more than the issue price plus accumulated OID, see Pub. 1212. It provides total OID on the instruments listed and gives computational information.

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

Line 8b

Tax-Exempt Interest Income

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

Line 9

Dividend Income

Dividends are distributions of money, stock, or other property that corporations pay to stockholders. They also include dividends you receive through a partnership, an S corporation, or an estate or trust. Payers include nominees or other agents. The payer should send you a **Form 1099-DIV**. A copy of this form is also sent to the IRS.

If your total gross dividends are over \$400, first fill in Schedule B (see page B-1). Gross dividends should be shown in box 1a of Form 1099-DIV. Also, fill in Schedule B if you received, as a nominee, dividends that actually belong to someone else. If you don't have to fill in Schedule B, include on line 9 only ordinary dividends and any investment expenses that should be shown in box 1e of Form 1099-DIV.

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

Dividends Include:

Ordinary dividends. These should be shown in box 1b of Form 1099-DIV.

Capital gain distributions. These should be shown in box 1c of Form 1099-DIV. If you have other capital gains or losses, also enter your capital gain distributions on Schedule D. If you don't need Schedule D to report any other gains or losses, see the instructions for lines 13 and 14.

Nontaxable distributions. Some distributions are nontaxable because they are a return of your cost. They will not be taxed until you recover your cost. You must reduce your cost (or other basis) by these distributions. After you get back all of your cost (or other basis), you must report these distributions as capital gains. For details, get **Pub. 550**, Investment Income and Expenses. Nontaxable distributions should be shown in box 1d of Form 1099-DIV.

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

Do Not Report as Dividends

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

- Amounts paid on deposits or accounts from which you could withdraw your money, such as mutual savings banks, cooperative banks, and credit unions. Remember to report these amounts as interest on line 8a.

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

Line 10

Taxable Refunds, Credits, or Offsets of State and Local Income Taxes

If you received a refund, credit, or offset of state or local income taxes in 1992 that you paid and deducted before 1992, you may have to report part or all of this amount as income if your itemized deduction for state and local income taxes in the year you paid the taxes resulted in a tax benefit. You may receive **Form 1099-G**, or similar statement, showing the refund.

Any part of a refund of state or local income taxes paid before 1992 that you were entitled to receive in 1992 but chose to apply to your 1992 estimated state income tax is considered to have been received in 1992.

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

If the refund was for a tax you paid in 1991 and you itemized deductions on Schedule A (Form 1040) for 1991, use the worksheet on page 16 to figure the amount, if any, you must report as income for 1992.

Exceptions. See **Recoveries** in **Pub. 525**, Taxable and Nontaxable Income, instead of using the worksheet on page 16 if **any** of the following applies:

- The refund you received in 1992 is for a tax year other than 1991.

- You received a refund other than an income tax refund, such as a real property tax refund, in 1992 of an amount deducted or credit claimed in an earlier year.

- Your 1991 adjusted gross income was more than \$100,000 (more than \$50,000 if married filing separately).

- Your 1991 taxable income was less than zero.

- Your last payment of 1991 estimated state or local income tax was made in 1992.

- You owed alternative minimum tax in 1991.

- You could not deduct the full amount of credits you were entitled to in 1991 because the total credits exceeded the tax shown on your 1991 Form 1040, line 40.

- You could be claimed as a dependent by someone else in 1991.

Line 11

Alimony Received

Enter amounts you received as alimony or separate maintenance. You must let the person who made the payments know your social security number. If you don't, you may have to pay a \$50 penalty. For more details, get **Pub. 504**, Divorced or Separated Individuals.

If you received payments under a divorce or separation instrument executed after 1984, see the instructions for line 29 on page 21 for the rules that apply in determining whether these payments qualify as alimony.

Line 12

Business Income or (Loss)

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

Lines 13 and 14

Capital Gain or (Loss)

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

Caution: It will be to your advantage to report your capital gain distributions on Schedule D and use Part IV of Schedule D to figure your tax if your taxable income (Form 1040, line 37) is **more than:** \$86,500 if married filing jointly or qualifying widow(er); \$51,900 if single; \$74,150 if head of household; or \$43,250 if married filing separately.

Line 15

Other Gains or (Losses)

If you sold or exchanged assets used in a trade or business, see the Instructions for **Form 4797**. Enter on line 15 the ordinary gain or (loss) from Part II of Form 4797.

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

Caution: If any of the **Exceptions** listed in the line 10 instructions on page 15 apply to you, **do not** use this worksheet; instead, see Pub. 525.

1. Enter the income tax refund from Form(s) 1099-G (or similar statement)	1. _____
2. Enter the amount from your 1991 Schedule A, line 26	2. _____
Note: If the filing status on your 1991 Form 1040 was married filing separately and your spouse itemized deductions in 1991, enter the amount from line 2 on line 6; skip lines 3, 4, and 5.	
3. Enter on line 3 the amount shown below for the filing status claimed on your 1991 Form 1040:	3. _____
<ul style="list-style-type: none"> • Single, enter \$3,400 • Married filing jointly or Qualifying widow(er), enter \$5,700 • Married filing separately, enter \$2,850 • Head of household, enter \$5,000 	}
4. If you didn't complete line 33a on your 1991 Form 1040, enter -0-. Otherwise, multiply the number on your 1991 Form 1040, line 33a, by \$650 (\$850 if your 1991 filing status was single or head of household) and enter the result	4. _____
5. Add lines 3 and 4	5. _____
6. Subtract line 5 from line 2. If zero or less, enter -0-	6. _____
7. Taxable part of your refund. Enter the smaller of line 1 or line 6 here and on Form 1040, line 10	7. _____

Lines 16a and 16b

IRA Distributions

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

If you made any nondeductible contributions to your IRA for 1992 or an earlier year or you rolled your IRA distribution over into another IRA, see below. **Do not** use lines 16a and 16b to report a rollover from a qualified employer's plan to an IRA. Instead, see the instructions for lines 17a and 17b.

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

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

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

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

If you made any nondeductible contributions for 1992, get **Pub. 590**, Individual Retirement Arrangements (IRAs), and **Form 8606** to figure the taxable part of your IRA distribution. Enter the total distribution on line 16a and the taxable part on line 16b.

If all of your nondeductible contributions were made for years before 1992, use Form 8606 to figure the taxable part of your distribution by following the instructions for line 11 of that form. Enter the total distribution on line 16a and the taxable part on line 16b.

Rollovers. A rollover is a tax-free transfer of cash or other assets from one retirement program to another. Use lines 16a and 16b to report a rollover from one IRA to another IRA. Enter the total distribution on line 16a. If the total on line 16a was rolled over, enter zero on line 16b. If the total was not rolled over, enter the part not rolled over on line 16b. But if you ever made nondeductible contributions to any of your IRAs, use Form 8606 to figure the taxable part to enter on line 16b. For more details, see Pub. 590.

Lines 17a and 17b

Pensions and Annuities

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

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

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

Caution: Certain transactions, such as loans against your interest in a qualified plan, may be treated as taxable distributions and may also be subject to additional taxes. For details, get **Pub. 575**, Pension and Annuity Income (Including Simplified General Rule).

Fully Taxable Pensions and Annuities

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

1. You did not contribute to the cost of your pension or annuity, or
2. You used the 3-Year Rule and you got your entire cost back tax free before 1992.

Fully taxable pensions and annuities also include military retirement pay shown on Form 1099-R. For details on military disability pensions, get **Pub. 525**, Taxable and Nontaxable Income. If you received a **Form RRB-1099-R**, the amount shown in box 7 is usually fully taxable. For more details, get Pub. 575. If an amount is shown in box 8 of your Form RRB-1099-R, see Pub. 575 to find out how to report your benefits.

Partially Taxable Pensions and Annuities

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

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

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

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

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

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

1. Your annuity starting date was **after** July 1, 1986.
2. The pension or annuity payments are for (a) your life or (b) your life and that of your beneficiary.
3. The pension or annuity payments are from a qualified employee plan, a qualified employee annuity, or a tax-sheltered annuity.

4. At the time the pension or annuity payments began, either you were under age 75 or, if you were 75 or older, the number of years of guaranteed payments was fewer than 5.

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

Age at Annuity Starting Date. If you are the retiree, use your age on the annuity starting date. If you are the survivor of a retiree, use the retiree's age on his or her annuity starting date. If you are the beneficiary of an employee who died, get Pub. 575. If there is more than one beneficiary, see Pub. 575 or Pub. 721 to figure each beneficiary's taxable amount.

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

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

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

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

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

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

Lump-Sum Distributions. If you received a lump-sum distribution from a profit-sharing or retirement plan, your Form 1099-R should have the "Total distribution" box in box 2b checked. If you received an early distribution from a qualified retirement plan and the total amount was not rolled over, you may owe an additional tax. You may also owe an additional tax if you received an excess distribution from a qualified retirement plan. For details, get **Form 5329**.

Enter the total distribution on line 17a and the taxable part on line 17b. But you may

pay less tax on the distribution if you were born before 1936, you meet certain other conditions, and you choose to use **Form 4972**, Tax on Lump-Sum Distributions, to figure the tax on any part of the distribution. You may also be able to use Form 4972 if you are the beneficiary of a deceased employee who was born before 1936 and was age 50 or older on the date of death. For details, get Form 4972.

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

Line 18

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

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

Line 19

Farm Income or (Loss)

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

Line 20

Unemployment Compensation

Enter on line 20 any unemployment compensation (insurance) you received. By February 1, 1993, you should receive a **Form 1099-G** showing the total amount paid to you during 1992. This amount should be in box 1.

If you received an overpayment of unemployment compensation in 1992 and you repaid any of it in 1992, subtract the amount you repaid from the total amount you received. Enter the result on line 20. Also, enter "Repaid" and the amount you repaid on the dotted line next to line 20.

Do not include on line 20 any supplemental unemployment benefits received from a company-financed supplemental unemployment benefit fund. Instead, report these benefits on line 7.

Caution: If you expect to receive unemployment compensation in 1993, which may cause you to owe tax when you file your return next year, you may need to make estimated tax payments during 1993. See **Income Tax Withholding and Estimated Tax Payments for 1993** on page 33.

Lines 21a and 21b

Social Security Benefits

Social security and equivalent railroad retirement benefits you received may be taxable in some instances. Social security benefits include any monthly benefit under title II of the Social Security Act or the part of a tier 1 railroad retirement benefit treated as a social security benefit. Social security benefits do

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

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

Note: If you had more than one partially taxable pension or annuity, figure the taxable part of each separately. Enter the total of the taxable parts on Form 1040, line 17b. Enter the total pension or annuity payments received in 1992 on Form 1040, line 17a.

not include any Supplemental Security Income (SSI) payments.

By February 1, 1993, you should receive a **Form SSA-1099** showing in box 3 the total social security benefits paid to you in 1992, and in box 4 the amount of any benefits you repaid in 1992. If you received railroad retirement benefits treated as social security, you should receive a **Form RRB-1099**. For more details, get **Pub. 915**, Social Security Benefits and Equivalent Railroad Retirement Benefits.

Caution: Do not use lines 21a and 21b to report any railroad retirement benefits shown on Form RRB-1099-R. Instead, see the instructions for lines 17a and 17b.

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

- You will first need to complete Form 1040, lines 7 through 20, 22, and 30 if they apply to you, to figure the taxable part, if any, of your benefits.
- If you made IRA contributions for 1992 and you were covered by a retirement plan at work or through self-employment, **do not** use the worksheet on this page. Instead, use the worksheets in **Pub. 590**, Individual Retirement Arrangements (IRAs), to see if any of your social security benefits are taxable and to figure your IRA deduction.
- If you repaid any benefits in 1992 and your total repayments (box 4) were more than

your total benefits for 1992 (box 3), **do not** use the worksheet below. None of your benefits are taxable for 1992. But you may be able to take an itemized deduction for part of the excess repayments if they were for benefits you included in gross income in an earlier year. See Pub. 915.

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

Line 22

Other Income

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

Do not report any income from self-employment on line 22. If you had any income from self-employment, you **must** use Schedule C, Schedule C-EZ, or Schedule F,

even if you do not have any business expenses to deduct from that income. You may also have to file **Schedule SE**, Self-Employment Tax. Your payments of self-employment tax contribute to your coverage under the social security system. Social security coverage provides you with retirement benefits and medical insurance (Medicare) benefits.

Examples of income to report on line 22 are:

- Prizes and awards.
- Gambling winnings. Proceeds from lotteries, raffles, etc., are gambling winnings. You must report the full amount of your winnings on line 22. You cannot offset losses against winnings and report the difference.
- If you had any gambling losses, you may take them as an itemized deduction on Schedule A. But you cannot deduct more than the winnings you report.
- Amounts received for medical expenses or other items, such as real estate taxes, that you deducted in an earlier year if they reduced your tax. See Pub. 525 for details on how to figure the amount to report.
- Amounts recovered on bad debts that you deducted in an earlier year.
- Fees received for jury duty and precinct election board duty. You may be able to deduct part or all of your jury duty pay. See the instructions for line 30.
- Fees received as a nonprofessional fiduciary, such as an executor or administrator of the estate of a deceased friend or relative. But fees related to active participation in the operation of the estate's business or the management of an estate that required extensive management activities over a long period of time are subject to self-employment tax. Report these fees on Schedule C or C-EZ.
- Alaska Permanent Fund dividends.

Net Operating Loss. If you had a net operating loss in an earlier year to carry forward to 1992, include it as a negative amount on line 22. Attach a statement showing how you figured the amount. Get **Pub. 536**, Net Operating Losses, for more details.

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

If you are married filing separately and you **did not** live with your spouse at any time in 1992, enter "D" to the left of line 21a.

- | | |
|--|------------|
| 1. Enter the total amount from box 5 of all your Forms SSA-1099 and Forms RRB-1099 (if applicable) | 1. _____ |
| Note: If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go to line 2. | |
| 2. Divide line 1 above by 2 | 2. _____ |
| 3. Add the amounts on Form 1040, lines 7, 8a, 9 through 15, 16b, 17b, 18 through 20, and line 22. Do not include here any amounts from box 5 of Forms SSA-1099 or RRB-1099 | 3. _____ |
| 4. Enter the amount from Form 1040, line 8b | 4. _____ |
| 5. Add lines 2, 3, and 4 | 5. _____ |
| 6. Enter the total adjustments from Form 1040, line 30 | 6. _____ |
| 7. Subtract line 6 from line 5 | 7. _____ |
| 8. Enter on line 8 the amount shown below for your filing status: | |
| ● Single, Head of household, or Qualifying widow(er), enter \$25,000 | } 8. _____ |
| ● Married filing jointly, enter \$32,000 | |
| ● Married filing separately, enter -0- (\$25,000 if you did not live with your spouse at any time in 1992) | |
| 9. Subtract line 8 from line 7. If zero or less, enter -0- | 9. _____ |
| ● If line 9 is zero, stop here. None of your benefits are taxable. Do not enter any amounts on lines 21a or 21b. But if you are married filing separately and you did not live with your spouse at any time in 1992, enter -0- on line 21b. Be sure you entered "D" to the left of line 21a. | |
| ● If line 9 is more than zero, go to line 10. | |
| 10. Divide line 9 above by 2 | 10. _____ |
| 11. Taxable social security benefits. | |
| ● First, enter on Form 1040, line 21a, the amount from line 1. | |
| ● Then, enter the smaller of line 2 or line 10 here and on Form 1040, line 21b | 11. _____ |

Note: If part of your benefits are taxable for 1992 and they include benefits paid in 1992 that were for an earlier year, you may be able to reduce the taxable amount shown on the worksheet. Get **Pub. 915** for details.

Adjustments to Income

Lines 24a and 24b

IRA Deduction

If you made contributions to an Individual Retirement Arrangement (IRA) for 1992, you may be able to take an IRA deduction. Read the instructions below and on the next page to see if you can take an IRA deduction and, if you can, which worksheet to use to figure it. Enter your IRA deduction on line 24a. If you file a joint return, enter your spouse's deduction on line 24b. You should receive a statement by May 31, 1993, that shows all contributions to your IRA for 1992.

Caution: You may **not** deduct contributions to a 401(k) plan or the Federal Thrift Savings Plan. These amounts are not included as income in box 10 of your W-2 form.

If you were age 70½ or older at the end of 1992, you cannot deduct any contributions

made to your IRA for 1992 or treat them as nondeductible contributions.

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

Were You Covered by a Retirement Plan?

If you were covered by a retirement plan (qualified pension, profit-sharing (including 401(k)), annuity, Keogh, SEP, etc.) at work or through self-employment in 1992, your IRA deduction may be reduced or eliminated. But you can still make contributions to an IRA even if you can't deduct them. In any case, the income earned on your IRA contributions is not taxed until it is paid to you.

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

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

Special Rule for Married Individuals Who File Separate Returns. If you were not covered by a retirement plan but your spouse was, **you** are considered covered by a plan if you lived with your spouse at any time in 1992. See the chart on this page. It will tell you if you can take the deduction and, if you can, which worksheet to use.

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

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

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

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

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

Read the following list before you fill in your worksheet.

- You will first need to complete Form 1040 through line 23, lines 25 through 29, and figure any write-in amount included on line 30, to figure your IRA deduction and, if applicable, nondeductible contributions.
- If you made contributions to your IRA in 1992 that you deducted for 1991, **do not** include them in the worksheet.

- If you received a distribution from a non-qualified deferred compensation plan, get Pub. 590 to figure your IRA deduction. The distribution should be shown in box 16 of your W-2 form.
- Your IRA deduction can't be more than the total of your wages and other earned income.
- If the total of your IRA deduction on Form 1040 plus any nondeductible contribution on your Form 8606 is less than your total IRA contributions for 1992, see Pub. 590 for special rules.
- You must file a joint return to deduct contributions to your nonworking spouse's IRA. A **nonworking spouse** is one who had no wages or other earned income in 1992, or a working spouse who chooses to be treated as having no earned income for figuring the deduction.
- Do not include rollover contributions in figuring your deduction. See the instructions for lines 16a and 16b on page 16 for more details on rollover contributions.
(List continues on next page.)

Chart for People Covered by a Retirement Plan*—Lines 24a and 24b

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

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

Your filing status is:	And your modified AGI is:	You can take:
Single, Head of household, or Married filing separately and did not live with your spouse in 1992	\$25,000 or less	Full IRA deduction (use Worksheet 1 on this page)
	Over \$25,000 but less than \$35,000	Partial IRA deduction (use Worksheet 2 on page 20)
	\$35,000 or more	No IRA deduction (but see Nondeductible Contributions)
Married filing jointly or Qualifying widow(er)	\$40,000 or less	Full IRA deduction (use Worksheet 1 on this page)
	Over \$40,000 but less than \$50,000	Partial IRA deduction (use Worksheet 2 on page 20)
	\$50,000 or more	No IRA deduction (but see Nondeductible Contributions)
Married filing separately and lived with your spouse in 1992	Over -0- but less than \$10,000	Partial IRA deduction (use Worksheet 2 on page 20)
	\$10,000 or more	No IRA deduction (but see Nondeductible Contributions)

* If married filing separately and you were not covered by a plan but your spouse was, **you** are considered covered by a plan if you lived with your spouse at any time in 1992.

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

	(a) Your IRA	(b) Your working spouse's IRA
1. Enter IRA contributions you made, or will make by April 15, 1993, for 1992. But do not enter more than \$2,000 in either column	1. _____	_____
2. For each person, enter wages and other earned income from Form 1040, minus any deductions on Form 1040, lines 25 and 27. Do not reduce wages by any loss from self-employment	2. _____	_____
3. Enter the smaller of line 1 or line 2. Enter on Form 1040, line 24a, the amount from line 3, column (a), you choose to deduct. Enter on Form 1040, line 24b, the amount, if any, from line 3, column (b), you choose to deduct. If filing a joint return and contributions were made to your nonworking spouse's IRA, go to line 4	3. _____	_____
		Nonworking spouse's IRA
4. Enter the smaller of line 2, column (a), or \$2,250	4. _____	_____
5. Enter the amount from line 3, column (a)	5. _____	_____
6. Subtract line 5 from line 4	6. _____	_____
7. Enter IRA contributions made, or that will be made by April 15, 1993, for 1992 for your nonworking spouse. But do not enter more than \$2,000	7. _____	_____
8. Enter the smaller of line 6 or line 7. Enter on Form 1040, line 24b, the amount from line 8 you choose to deduct	8. _____	_____

IRA Worksheet 2—Lines 24a and 24b (keep for your records)

<p>1. If you checked Filing Status: 1 or 4, enter \$35,000 2 or 5, enter \$50,000 3, enter \$10,000 (\$35,000 if you did not live with your spouse at any time in 1992)</p> <p>2. Enter the amount from Form 1040, line 23</p> <p>3. Add amounts on Form 1040, lines 25 through 29, and any write-in amount included on line 30</p> <p>4. Subtract line 3 from line 2. If the result is equal to or more than the amount on line 1, none of your IRA contributions are deductible. Stop here. If you want to make a nondeductible IRA contribution, see Form 8606</p> <p>5. Subtract line 4 from line 1. If the result is \$10,000 or more, stop here and use Worksheet 1</p> <p>6. Multiply line 5 above by 20% (.20). If the result is not a multiple of \$10, round it up to the next multiple of \$10 (for example, round \$490.30 to \$500). If the result is \$200 or more, enter the result. But if it is less than \$200, enter \$200. Go to line 7.</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p>	
<p>Deductible IRA contributions</p>	<p>(a) Your IRA</p>	<p>(b) Your working spouse's IRA</p>
<p>7. For each person, enter wages and other earned income from Form 1040, minus any deductions on Form 1040, lines 25 and 27. Do not reduce wages by any loss from self-employment</p> <p>8. Enter IRA contributions you made, or will make by April 15, 1993, for 1992. But do not enter more than \$2,000 in either column</p> <p>9. Enter the smallest of line 6, 7, or 8. This is the most you can deduct. Enter on Form 1040, line 24a, the amount from line 9, column (a), you choose to deduct. Enter on Form 1040, line 24b, the amount, if any, from line 9, column (b), you choose to deduct. If line 8 is more than line 9, go to line 10</p>	<p>7. _____</p> <p>8. _____</p> <p>9. _____</p>	<p>_____</p> <p>_____</p> <p>_____</p>
<p>Nondeductible IRA contributions</p>		
<p>10. Subtract line 9 from the smaller of line 7 or line 8. Enter on line 2 of your Form 8606 the amount from line 10 you choose to make nondeductible</p>	<p>10. _____</p>	<p>_____</p>
<p>If filing a joint return and contributions were made to your nonworking spouse's IRA, go to line 11.</p>		
<p>Deductible IRA contributions for nonworking spouse</p>		
<p>11. Enter the smaller of line 7, column (a), or \$2,250</p> <p>12. Add the amount on line 9, column (a), to the part of line 10, column (a), that you choose to make nondeductible</p> <p>13. Subtract line 12 from line 11. If the result is zero or less, stop here. You cannot make deductible or nondeductible IRA contributions for your nonworking spouse</p> <p>14. Enter the smallest of (a) IRA contributions made, or that will be made by April 15, 1993, for 1992 for your nonworking spouse; (b) \$2,000; or (c) the amount on line 13</p> <p>15. Multiply line 5 above by 22.5% (.225). If the result is not a multiple of \$10, round it up to the next multiple of \$10. If the result is \$200 or more, enter the result. But if it is less than \$200, enter \$200</p> <p>16. Enter the amount from line 9, column (a)</p> <p>17. Subtract line 16 from line 15</p> <p>18. Enter the smaller of line 14 or line 17</p> <p>19. Enter the smallest of line 6, 7, or 18. This is the most you can deduct. Enter on Form 1040, line 24b, the amount from line 19 you choose to deduct. If line 14 is more than line 19, go to line 20</p>	<p>11. _____</p> <p>12. _____</p> <p>13. _____</p> <p>14. _____</p> <p>15. _____</p> <p>16. _____</p> <p>17. _____</p> <p>18. _____</p> <p>19. _____</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>
<p>Nondeductible IRA contributions for nonworking spouse</p>		
<p>20. Subtract line 19 from line 14. Enter on line 2 of your spouse's Form 8606 the amount from line 20 that you choose to make nondeductible</p>	<p>20. _____</p>	<p>_____</p>

- Do not include trustee's fees that were billed separately and paid by you for your IRA. These fees can be deducted only as an itemized deduction on Schedule A.
- Alimony payments received under certain divorce or separation instruments are considered earned income for purposes of the IRA deduction. See Pub. 590.
- If married filing a joint return and both spouses worked and had IRAs, figure each spouse's deduction separately using columns (a) and (b) of the worksheet.

Line 25

One-Half of Self-Employment Tax

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

Line 26

Self-Employed Health Insurance Deduction

If you were self-employed and had a net profit for the year, or if you received wages in 1992 from an S corporation in which you were a more than 2% shareholder, you may be able to deduct part of the amount paid for health insurance on behalf of yourself, your spouse, and dependents. But you may not take the deduction if you were eligible to participate in any subsidized health plan maintained by your employer or your spouse's employer. For more details, get **Pub. 535, Business Expenses**.

If you qualify to take the deduction, use the worksheet on page 21 to figure the amount you can deduct. But if any of the following applies, **do not** use the worksheet on page 21. Instead, see Pub. 535 to find out how to figure your deduction.

- You had more than one source of income subject to self-employment tax.
- Your 1992 tax year ended on a date other than December 31, 1992.
- You file **Form 2555, Foreign Earned Income**, or **Form 2555-EZ, Foreign Earned Income Exclusion**.

Caution: If you can file **Schedule EIC, Earned Income Credit**, you may also be able to claim the health insurance credit on that schedule. If you do claim that credit, **do not** use the worksheet on page 21. Instead, get **Pub. 596, Earned Income Credit**, to figure your self-employed health insurance deduction.

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

1. Enter total payments made before July 1, 1992, for health insurance coverage for periods before July 1, 1992, for you, your spouse, and dependents	1. _____
2. Percentage used to figure the deduction	2. _____ × .25
3. Multiply line 1 by the percentage on line 2	3. _____
4. Enter your net profit and any other earned income* from the business under which the insurance plan is established, minus any deductions you claim on Form 1040, lines 25 and 27	4. _____
5. Multiply line 4 by 50% (.50).	5. _____
6. Self-employed health insurance deduction. Enter the smaller of line 3 or line 5 here and on Form 1040, line 26. DO NOT include this amount in figuring any medical expense deduction on Schedule A (Form 1040).	6. _____

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

Line 27

Keogh Retirement Plan and Self-Employed SEP Deduction

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

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

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

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

Line 28

Penalty on Early Withdrawal of Savings

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

Line 29

Alimony Paid

You can deduct periodic payments of alimony or separate maintenance made under a court decree. You can also deduct payments made under a written separation agreement or a decree for support. Don't deduct lump-sum cash or property settlements, voluntary payments not made under a court order or a written separation agreement, or amounts specified as child support.

For details, see Tele-Tax (topic no. 252) on page 28 or get **Pub. 504**, Divorced or Separated Individuals.

Caution: You must enter the recipient's social security number in the space provided on line 29. If you don't, you may have to pay a \$50 penalty and your deduction may be disallowed.

If you paid alimony to more than one person, enter the social security number of one of the recipients. Show the social security number(s) and the amount paid to the other recipient(s) on an attached statement. Enter your total payments on line 29.

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

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

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

Line 30

Total Adjustments

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

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

Jury Duty Pay Given to Employer. If you reported jury duty pay on line 22 and you

were required to give your employer any part of that pay because your employer continued to pay your salary while you served on the jury, include the amount you gave your employer in the total on line 30. Enter the amount and "Jury pay" on the dotted line next to line 30.

Forestation or Reforestation Amortization. If you can claim a deduction for amortization of the costs of forestation or reforestation and you do not have to file Schedule C, C-EZ, or F for this activity, include your deduction in the total on line 30. Enter the amount and "Reforestation" on the dotted line next to line 30.

Repayment of Sub-Pay Under the Trade Act of 1974. If you repaid supplemental unemployment benefits (sub-pay) that you previously reported in income because you became eligible for payments under the Trade Act of 1974, include in the total on line 30 the amount you repaid in 1992. Enter the amount and "Sub-pay TRA" on the dotted line next to line 30. Or, you may be able to claim a credit against your tax instead. Get **Pub. 525**, Taxable and Nontaxable Income, for more details.

Contributions to Section 501(c)(18) Pension Plans. If you chose to have your employer contribute part of your pay to a pension plan exempt from tax under Internal Revenue Code section 501(c)(18), the amount contributed should be identified with code H in box 17 of your W-2 form. You may deduct the amount contributed subject to the limits explained under **Excess Salary Deferrals** on page 14. Include your deduction in the total on line 30. Enter the amount and "501(c)(18)" on the dotted line next to line 30.

Adjusted Gross Income

Line 31

If line 31 is less than zero, you may have a net operating loss that you can carry to another tax year. If you carry the loss back to earlier years, see **Form 1045**, Application for Tentative Refund. If you do not wish to carry back a net operating loss, you may elect to carry the loss over to future years. You must attach the election to your return. For more details, get **Pub. 536**, Net Operating Losses.

Tax Computation

Line 33a

If you were age 65 or older or blind, check the appropriate boxes on line 33a. If you were married and checked the box on line 6b on page 1 of Form 1040 and your spouse was age 65 or older or blind, also check the appropriate boxes for your spouse. Then, add the number of boxes checked. Enter the total in the box provided on line 33a. You need this total to use the **Standard Deduction Chart for People Age 65 or Older or Blind** on this page.

Age. If you were age 65 or older on January 1, 1993, check the "65 or older" box on your 1992 return.

Blindness. If you were completely blind as of December 31, 1992, attach a statement to your return describing this condition. If you were partially blind, you must attach a statement certified by your eye doctor or registered optometrist that:

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

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

Line 33b

If your parent (or someone else) can claim you as a dependent on his or her return (even if that person chose not to claim you), check the box on line 33b. Use the **Standard Deduction Worksheet for Dependents** on this page to figure your standard deduction.

Line 33c

If your spouse itemizes deductions on a separate return or if you were a dual-status alien, check the box on line 33c. But if you were a dual-status alien and you file a joint return with your spouse who was a U.S. citizen or resident at the end of 1992 and you and your spouse agree to be taxed on your combined worldwide income, **do not** check the box.

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

Line 34

Itemized Deductions or Standard Deduction

Your Federal income tax will be less if you take the **larger** of:

- Your itemized deductions, or
- Your standard deduction.

The standard deduction has increased. Even if you itemized last year, be sure to see if the standard deduction will benefit you in 1992.

Itemized Deductions. To figure your itemized deductions, fill in **Schedule A**.

If your itemized deductions are larger than your standard deduction, attach Schedule A and enter on Form 1040, line 34, the amount from Schedule A, line 26.

Standard Deduction. Most people can find their standard deduction by looking at line 34 of Form 1040. But if you checked **any** of the boxes on **lines 33a or 33b**, use the chart or worksheet on this page that applies to you to figure your standard deduction. Also, if you checked the box on **line 33c**, your standard deduction is zero, even if you were age 65 or older or blind.

If your standard deduction is larger than your itemized deductions, enter your standard deduction on line 34.

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

Standard Deduction Chart for People Age 65 or Older or Blind—Line 34

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

Enter the number from the box on line 33a of Form 1040 **Caution: Do not use the number of exemptions from line 6e.**

If your filing status is:	And the number in the box above is:	Your standard deduction is:
Single	1	\$4,500
	2	5,400
Married filing jointly or Qualifying widow(er) }	1	\$6,700
	2	7,400
	3	8,100
	4	8,800
Married filing separately	1	\$3,700
	2	4,400
	3	5,100
	4	5,800
Head of household	1	\$6,150
	2	7,050

Standard Deduction Worksheet for Dependents—Line 34 (keep for your records)

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

1. Enter your **earned income** (defined below). If none, enter -0- **1.** _____
2. Minimum amount **2.** 600.00
3. Enter the **larger** of line 1 or line 2 **3.** _____
4. Enter on line 4 the amount shown below for your filing status:
 - Single, enter \$3,600
 - Married filing separately, enter \$3,000
 - Married filing jointly or Qualifying widow(er), enter \$6,000
 - Head of household, enter \$5,250**4.** _____
5. **Standard deduction.**
 - a. Enter the **smaller** of line 3 or line 4. If under 65 and not blind, stop here and enter this amount on Form 1040, line 34. Otherwise, go to line 5b **5a.** _____
 - b. If 65 or older or blind, multiply \$900 (\$700 if married filing jointly or separately, or qualifying widow(er)) by the number on Form 1040, line 33a **5b.** _____
 - c. Add lines 5a and 5b. Enter the total here and on Form 1040, line 34 **5c.** _____

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

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

Use this worksheet **only** if the amount on Form 1040, line 32, is more than the dollar amount shown on line 3 below for your filing status. If the amount on Form 1040, line 32, is equal to or less than the dollar amount shown on line 3, multiply \$2,300 by the total number of exemptions claimed on Form 1040, line 6e, and enter the result on line 36.

1. Multiply \$2,300 by the total number of exemptions claimed on Form 1040, line 6e **1.** _____

2. Enter the amount from Form 1040, line 32. **2.** _____

3. Enter on line 3 the amount shown below for your filing status:

- Married filing separately, enter \$78,950
- Single, enter \$105,250
- Head of household, enter \$131,550
- Married filing jointly or Qualifying widow(er), enter \$157,900

3. _____

4. Subtract line 3 from line 2. If zero or less, **stop here**; enter the amount from line 1 above on Form 1040, line 36 **4.** _____

Note: If line 4 is more than \$122,500 (more than \$61,250 if married filing separately), **stop here**; you **cannot** take a deduction for exemptions. Enter -0- on Form 1040, line 36.

5. Divide line 4 by \$2,500 (\$1,250 if married filing separately). If the result is not a whole number, round it up to the next higher whole number **5.** _____

6. Multiply line 5 by 2% (.02) and enter the result as a decimal amount **6.** _____

7. Multiply line 1 by line 6 **7.** _____

8. **Deduction for exemptions.** Subtract line 7 from line 1. Enter the result here and on Form 1040, line 36 **8.** _____

The IRS Will Figure Your Tax and Some of Your Credits

If you want, we will figure your tax for you. If you have paid too much, we will send you a refund. If you did not pay enough, we'll send you a bill. We won't charge you interest or a late payment penalty if you pay within 30 days of the notice date or by the due date for your return, whichever is later.

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

1. All of your income for 1992 was from wages, salaries, tips, interest, dividends, taxable social security benefits, unemployment compensation, IRA distributions, pensions, or annuities.
2. You do not itemize deductions.
3. You do not file any of the following forms: **Schedule D**, Capital Gains and Losses. **Form 2555**, Foreign Earned Income. **Form 2555-EZ**, Foreign Earned Income Exclusion. **Form 4137**, Social Security and Medicare Tax on Unreported Tip Income. **Form 4970**, Tax on Accumulation Distribution of Trusts. **Form 4972**, Tax on Lump-Sum Distributions. **Form 6198**, At-Risk Limitations. **Form 6251**, Alternative Minimum Tax—Individuals. **Form 8615**, Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,200.

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

4. Your taxable income (line 37) is not more than \$100,000.
5. You do not want any of your refund applied to next year's estimated tax.

To have us figure your tax, please do the following:

- Fill in the parts of your return through line 37 that apply to you.
- Read lines 39 through 59. Fill in the lines that apply to you, but do not fill in the total lines. Please be sure to fill in line 54 for Federal income tax withheld. See the instructions below if you want us to figure your credit for the elderly or the disabled or your earned income credit.
- If you are filing a joint return, use the space under the words "Adjustments to Income" on the front of your return to separately show your taxable income and your spouse's taxable income.
- Fill in any forms or schedules asked for on the lines you completed, and attach them to the return when you file it.
- Sign and date your return (both spouses must sign a joint return) and enter your occupation(s).
- Mail your return by April 15, 1993.

We will figure the following credits too:

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

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

Earned Income Credit (EIC). Read the instructions that begin on page EIC-1 to see if you can take this credit. If you can, fill in Parts II and III of Schedule EIC and attach it to your return. Enter "EIC" on the dotted line next to line 56.

Line 38

Tax

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

Tax Table. If your taxable income is less than \$100,000, you **must** use the Tax Table to find your tax, unless you are required to use **Form 8615** or you use **Schedule D** (see below). Be sure you use the correct column in the Tax Table. After you have found the correct tax, enter that amount on line 38.

Tax Rate Schedules. You must use the Tax Rate Schedules to figure your tax if your taxable income is \$100,000 or more unless you are required to use **Form 8615** or you use **Schedule D**.

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

Form 8615. Form 8615 must generally be used to figure the tax for any child who was under age 14 on January 1, 1993, and who had more than \$1,200 of investment income, such as taxable interest or dividends. But if neither of the child's parents was alive on December 31, 1992, do not use Form 8615 to figure the child's tax.

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

Line 39

Additional Taxes

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

- Form 4970**, Tax on Accumulation Distribution of Trusts, or
- Form 4972**, Tax on Lump-Sum Distributions.

Credits

Line 41

Credit for Child and Dependent Care Expenses

You may be able to take this credit if you paid someone to care for your child or other qualifying person while you (and your spouse if you were married) worked or looked for work. But you must have had income from a job or through self-employment to do so.

The credit is allowed if you kept up a home that included a child **under age 13** or your dependent or spouse who could not care for himself or herself. Use **Form 2441** to figure the credit. To take the credit, you must show on Form 2441 the name, address, and identifying number of the person or organization who provided the care. You may use **Form W-10** to get the correct information from the

care provider. For more details, including special rules for divorced or separated parents, see the Instructions for Form 2441, and **Pub. 503**, Child and Dependent Care Expenses.

Note: *If someone cared for your child or disabled dependent in your home, both you and the employee may have to pay a share of the social security and Medicare tax on the employee's wages. You may also have to pay Federal unemployment tax, which is for your employee's unemployment insurance. For more details, get **Pub. 926**, Employment Taxes for Household Employers.*

Line 42

Credit for the Elderly or the Disabled

You may be able to take this credit and reduce your tax if, by the end of 1992, **either** of the following applied:

- You were age 65 or older, or
- You were under age 65, you retired on **permanent and total** disability, and you had taxable disability income in 1992.

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

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

For more details, see the separate instructions for Schedule R and **Pub. 524**, Credit for the Elderly or the Disabled. If you want the IRS to figure the credit for you, see **The IRS Will Figure Your Tax and Some of Your Credits** on page 23.

Line 43

Foreign Tax Credit

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

Line 44

Other Credits

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

General Business Credit. If you have two or more of the following general business credits, a general business credit carryfor-

ward, or a general business credit (other than the low-income housing credit) from a passive activity, you must also complete **Form 3800** to figure the total credit. Include on line 44 the amount from Form 3800 and check box **a** on line 44 for Form 3800. If you have only one general business credit, include on line 44 the amount of the credit from the form. Also, check box **d** on line 44 and enter the form number for that credit.

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

Form 5884, Jobs Credit. If you are a business employer who hires people who are members of special targeted groups, you may be able to take this credit. Use Form 5884 to figure the credit.

Form 6478, Credit for Alcohol Used as Fuel. If you sold straight alcohol (or an alcohol mixture) at retail or used it as fuel in your trade or business, you may be able to take this credit. Use Form 6478 to figure the credit. For more details, get **Pub. 378**, Fuel Tax Credits and Refunds.

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

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

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

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

Mortgage Interest Credit. If you were issued a mortgage credit certificate by a state or local government under a qualified mortgage credit certificate program to buy, rehabilitate, or improve your main home, you may be able to take this credit. You must complete and attach **Form 8396**, Mortgage Interest Credit, to figure the amount of the credit to include in your total for line 44. Also, check box **b** on line 44. For more details, get **Pub. 530**, Tax Information for First-Time Homeowners.

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

Line 45

Add amounts on lines 41 through 44 and enter the total on line 45. Also, include in the total on line 45 any Credit for Fuel From a Nonconventional Source.

Credit for Fuel From a Nonconventional Source. A credit is allowed for the sale of qualified fuels produced from a nonconventional source. See Internal Revenue Code section 29 for a definition of qualified fuels, details on figuring the credit, and other special rules. Attach a separate schedule showing how you figured the credit. Include the credit in the total for line 45. Enter the amount and "FNS" on the dotted line next to line 45.

Other Taxes

Line 47

Self-Employment Tax

If you had self-employment income in 1992 and earned under \$130,200 in wages from which social security tax, Medicare tax, or railroad retirement (RRTA) tax was withheld, you may owe self-employment tax. Get **Schedule SE** (Form 1040) and its instructions to see if you owe this tax. If you do, enter the tax from Schedule SE on line 47. Also, enter one-half of the tax on Form 1040, line 25.

Line 48

Alternative Minimum Tax

The tax law gives special treatment to some kinds of income and allows special deductions and credits for some kinds of expenses. If you benefit from these provisions, you may have to pay at least a minimum amount of tax through the alternative minimum tax. This tax is figured on **Form 6251**, Alternative Minimum Tax—Individuals. Use the worksheet on page 25 to see if you should complete Form 6251.

Caution: *Form 6251 should be filled in for a child under age 14 if the total of the child's adjusted gross income from line 32 plus the items below is more than the sum of \$1,000 plus the child's earned income.*

Adjustments and Tax Preference Items. Use the following to complete line 2 of the worksheet on page 25.

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

Worksheet To See If You Should Fill In Form 6251

Caution: If you are claiming the foreign tax credit (Form 1040, line 43), you should fill in Form 6251; don't use this worksheet.

- | | |
|---|-----------|
| 1. Enter the amount from Form 1040, line 32 | 1. _____ |
| 2. Enter the total of all adjustments and tax preference items listed on page 24 that apply to you | 2. _____ |
| 3. Add lines 1 and 2 | 3. _____ |
| 4. Enter \$40,000 (\$20,000 if married filing separately; \$30,000 if single or head of household) | 4. _____ |
| 5. Subtract line 4 from line 3. If zero or less, stop here ; you don't need to fill in Form 6251 | 5. _____ |
| 6. Enter \$150,000 (\$75,000 if married filing separately; \$112,500 if single or head of household) | 6. _____ |
| 7. Subtract line 6 from line 3. If zero or less, enter -0- here and on line 8 and go to line 9 | 7. _____ |
| 8. Multiply line 7 by 25% (.25) and enter the result but do not enter more than line 4 above | 8. _____ |
| 9. Add lines 5 and 8 | 9. _____ |
| 10. Multiply line 9 by 24% (.24) | 10. _____ |

NEXT: If line 10 is more than the amount on Form 1040, line 38, fill in Form 6251 to see if you owe the alternative minimum tax. If line 10 is equal to or less than the amount on Form 1040, line 38, **do not** fill in Form 6251.

Line 49

Recapture Taxes

Complete line 49 if you owe any of the following taxes.

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

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

Recapture of Federal Mortgage Subsidy. If you sold your home in 1992 and it was financed (in whole or part) from the proceeds of any tax-exempt qualified mortgage bond or you claimed the mortgage interest credit, you may owe the tax figured on **Form 8828**. See Form 8828 for details. If you owe this tax, check box **c** and include the tax on line 49.

Line 50

Social Security and Medicare Tax on Tip Income Not Reported to Employer

If you received tips of \$20 or more in any month and you did not report the full amount to your employer, or your W-2 form(s) shows allocated tips that you must report in income, you must pay the social security and Medicare or railroad retirement (RRTA) tax on the unreported tips. If you reported the full amount to your employer but the social security and Medicare or RRTA tax was not withheld, you must pay it unless the rules discussed under **Uncollected Employee**

Social Security and Medicare or RRTA Tax on Tips (line 53) apply.

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

To pay the RRTA tax on the tips, contact your employer. Your employer will collect the tax.

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

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

Line 51

Tax on Qualified Retirement Plans, Including IRAs

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

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

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

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

Line 52

Advance Earned Income Credit Payments

Enter the total amount of advance earned income credit payments you received. These payments should be shown in box 8 of your W-2 forms.

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

Line 53

Total Tax

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

Section 72(m)(5) Excess Benefits Tax. If you are or were a 5% owner of a business and you received a distribution of excess benefits from a qualified pension or annuity plan, you may have to pay a penalty tax of 10% of the distribution. Get **Pub. 560** for more details. Include this penalty tax in your total for line 53. Enter the amount of this tax and the words "Section 72(m)(5)" on the dotted line next to line 53.

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

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

Golden Parachute Payments. Golden parachute payments are certain payments made by a corporation to key employees to compensate them if control of the corporation changes. If you received an excess parachute payment (EPP), you must pay a tax equal to 20% of this excess payment. Enter the amount and "EPP" on the dotted line next to line 53.

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

If you received a **Form 1099-MISC** that includes a parachute payment, any excess payment will be separately identified on the form. Multiply the excess payment by 20% to figure the amount to include in the total for line 53. Enter the amount and "EPP" on the dotted line next to line 53.

Payments

Line 54

Federal Income Tax Withheld

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

Backup Withholding. If you received a 1992 Form 1099 showing income tax withheld (backup withholding) on dividends, interest income, or other income you received, include the amount withheld in the total on line 54. This should be shown in box 2 of Form 1099-DIV and in box 4 of the other 1099 forms. Be sure to check the box on line 54.

Line 55

1992 Estimated Tax Payments

Enter on this line any payments you made on your estimated Federal income tax (**Form 1040-ES**) for 1992. Include any overpayment from your 1991 return that you applied to your 1992 estimated tax.

If you and your spouse paid joint estimated tax but are now filing separate income tax returns, either of you can claim all of the amount paid. Or you can each claim part of it. Get **Pub. 505, Tax Withholding and Estimated Tax**, for more details on how to divide your payments. Please be sure to show both social security numbers in the space provided on the separate returns. If you or your spouse paid separate estimated tax, but you are now filing a joint income tax return, add the amounts you each paid. Follow these instructions even if your spouse died in 1992 or in 1993 before filing a 1992 return.

Divorced Taxpayers. If you were divorced during 1992 and you made joint estimated tax payments with your former spouse, enter your former spouse's social security number in the space provided on the front of Form 1040.

If you were divorced and remarried in 1992, enter your present spouse's social security number in the space provided on the front of Form 1040. Also, under the bold heading "Payments" to the left of line 55, enter your former spouse's social security number, followed by "DIV."

Name Change. If you changed your name because of marriage, divorce, etc., and you made estimated tax payments using your former name, attach a statement to the front of Form 1040 explaining all the payments you and your spouse made in 1992, the service center where you made the payments, and the name(s) and social security number(s) under which you made the payments.

Line 56

Earned Income Credit

If the amount on line 31 is less than \$22,370 and a child lived with you, you may be able to take this credit. Read the instructions for **Schedule EIC** that begin on page EIC-1 to see if you can take this credit. If you can, use Schedule EIC to figure the credit. If you want the IRS to figure the credit for you, see the instructions for Schedule EIC.

Note: *If you got advance earned income credit (AEIC) payments in 1992, report these payments on line 52. If you are eligible, you may be able to get AEIC payments in 1993 by filing Form W-5 with your employer.*

Line 57

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

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

Line 58

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

Excess Social Security and Medicare Tax Withheld. If you had more than one employer for 1992 and your total wages were over \$55,500, your employers may have withheld too much social security tax. If your total wages were over \$130,200, your employers

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

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

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

1. Add all social security tax withheld but not more than \$3,441.00 for each employer. This tax should be shown in box 11 of your W-2 forms. Enter the total here	1. _____
2. Enter any uncollected social security tax on tips or group-term life insurance included in the total on Form 1040, line 53	2. _____
3. Add lines 1 and 2. If \$3,441.00 or less, enter -0- on line 5 and go to line 6	3. _____
4. Social security tax limit.	4. <u>3,441.00</u>
5. Subtract line 4 from line 3.	5. _____
6. Add all Medicare tax withheld but not more than \$1,887.90 for each employer. This tax should be shown in box 15 of your W-2 forms. Enter the total here	6. _____
7. Enter any uncollected Medicare tax on tips or group-term life insurance included in the total on Form 1040, line 53	7. _____
8. Add lines 6 and 7. If \$1,887.90 or less, enter -0- on line 10 and go to line 11	8. _____
9. Medicare tax limit	9. <u>1,887.90</u>
10. Subtract line 9 from line 8.	10. _____
11. Excess social security and Medicare tax withheld. Add lines 5 and 10. Enter the total here and on Form 1040, line 58	11. _____

may have withheld too much Medicare tax. If so, you can take a credit for the excess amount on line 58. Use the worksheet on this page to figure the excess amount.

If any one employer withheld more than \$3,441.00 of social security tax, or more than \$1,887.90 of Medicare tax, you must ask your employer to refund the excess to you. You cannot claim it on your return.

Excess Railroad Retirement (RRTA) Tax Withheld. If you had more than one railroad employer for 1992 and your total compensation was over \$55,500, your employers may have withheld too much tier 1 tax. If your total compensation was over \$41,400, your employers may have withheld too much tier 2 tax. If so, you can take a credit for the excess amount on line 58. Get **Pub. 505, Tax Withholding and Estimated Tax**, to figure the excess amount. **Do not** use the worksheet on this page.

If any one employer withheld more than \$3,441.00 of tier 1 RRTA tax, more than \$1,887.90 of tier 1 Medicare tax, or more than \$2,028.60 of tier 2 tax, you must ask your employer to refund the excess to you. You cannot claim it on your return.

Line 59

Other Payments

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

Credit for Federal Tax Paid on Fuels. If you can take a credit for tax on gasoline, diesel fuel, and other fuels used in your business, or for certain diesel-powered cars, vans, and light trucks, attach **Form 4136**. Include the credit on line 59 and check box **b**.

Line 60

Total Payments

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

Refund or Amount You Owe

Line 61

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

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

Note: If the amount you overpaid is large, you may be able to decrease the amount of income tax withheld from your pay. See **Income Tax Withholding and Estimated Tax Payments for 1993** on page 33.

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

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

If **all three** of the above apply to you and you want your part of the amount on line 61 refunded to you, complete **Form 8379**, Injured Spouse Claim and Allocation, and attach it to Form 1040 when you file your return. Write "Injured Spouse" in the upper left corner of Form 1040.

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

Line 63

Applied to 1993 Estimated Tax

Subtract line 62 from line 61. Enter the result on line 63. This is the amount that will be applied to your estimated tax for 1993. We will apply this amount to your account unless you request us to apply it to your spouse's account. The request should include your spouse's social security number.

Line 64

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

Subtract line 60 from line 53 and enter the result on line 64. This is the amount you owe. Attach your check or money order payable to the Internal Revenue Service for the full amount when you file. If line 64 is under \$1, you do not have to pay. **Do not** include any estimated tax payment in your check or money order. Mail any estimated tax payment in an envelope separate from the one you use to pay the tax due on Form 1040.

Note: If you owe tax for 1992, you may need to increase the amount of income tax withheld from your pay or make estimated tax payments for 1993. See **Income Tax Withholding and Estimated Tax Payments for 1993** on page 33.

Line 65

Estimated Tax Penalty

If line 64 is at least \$500 and it is more than 10% of the tax shown on your return, or you underpaid your 1992 estimated tax liability for any payment period, you may owe a penalty. Get **Form 2210** (or **Form 2210F** for farmers and fishermen) to see if you owe a penalty and to figure the amount. If you want, the IRS will figure the penalty for you and send you a bill. But see **Lowering Your Penalty** later.

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

1. You had no tax liability for 1991, you were a U.S. citizen or resident for all of 1991, AND your 1991 tax return was for a tax year of 12 full months, or
2. The total of lines 54, 55, and 58 on your 1992 return is at least as much as your 1991 tax liability, AND your 1991 tax return was for a tax year of 12 full months. Your estimated tax payments for 1992 must have been made on time and for the required amount.

Caution: Item 2 above may not apply if your 1992 adjusted gross income (Form 1040, line 32) is more than \$75,000 (more than \$37,500 if married filing separately), AND your 1992 adjusted gross income exceeds your 1991 adjusted gross income by more than \$40,000 (more than \$20,000 if married filing separately). You may also have to file Form 2210 even if you don't owe the penalty. For details, see Form 2210 and its instructions.

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

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

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

- You claim a waiver.
- Your income varied during the year and you use the annualized income installment method to figure your required installment payments.
- You had Federal income tax withheld from your wages and you treat it as being paid when it was actually withheld (instead of in four equal amounts).

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

Sign Your Return

Form 1040 is not considered a valid return unless you sign it. If you are filing a joint return, your spouse must also sign. Be sure to date your return and enter your occupation(s). If you have someone prepare your return, you are still responsible for the correctness of the return. If you are filing a joint return with your deceased spouse, see **Death of Taxpayer** on page 33.

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

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

Section 5.

General Information

What Is Tele-Tax?

Recorded Tax Information includes about 140 topics that answer many Federal tax questions. You can listen to up to three topics on each call you make.

Automated Refund Information allows you to check the status of your refund.

How Do I Use Tele-Tax?

Choosing The Right Number

Use only the number listed on this page for your area. Use a local city number only if it is not a long distance call for you. **Please do not dial "1-800" when using a local city number.** However, when dialing from an area that does not have a local number, be sure to dial "1-800" before calling the toll-free number.

Recorded Tax Information

Topic numbers are effective January 1, 1993. A complete list of these topics is on the next page.

Touch-tone service is available 24 hours a day, 7 days a week.

Rotary or pulse dial service is usually available Monday through Friday during regular office hours.

Select, by number, the topic you want to hear. **For the directory of topics, listen to topic no. 323.**

Have paper and pencil handy to take notes.

Call the appropriate phone number listed on this page.

- If you have a touch-tone phone, immediately follow the recorded instructions, or
- If you have a rotary or pulse dial phone, wait for further recorded instructions.

Automated Refund Information

Be sure to have a copy of your tax return available since you will need to know the first social security number shown on your return, the filing status, and the **exact** whole-dollar amount of your refund.

Then, call the appropriate phone number listed on this page and follow the recorded instructions.

The IRS updates refund information every 7 days. If you call to find out about the status of your refund and do not receive a refund mailing date, please wait 7 days before calling back.

• Touch-tone service is available Monday through Friday from 7:00 A.M. to 11:30 P.M. (Hours may vary in your area.)

• Rotary or pulse dial service is usually available Monday through Friday during regular office hours.

Toll-free Tele-Tax telephone numbers

Alabama
1-800-829-4477

Alaska
1-800-829-4477

Arizona
Phoenix, 640-3933
Elsewhere, 1-800-829-4477

Arkansas
1-800-829-4477

California
Counties of: Alpine,
Amador, Butte, Calaveras,
Colusa, Contra Costa,
Del Norte, El Dorado,
Glenn, Humboldt, Lake,
Lassen, Marin, Mendocino,
Modoc, Napa, Nevada,
Placer, Plumas,
Sacramento, San Joaquin,
Shasta, Sierra, Siskiyou,
Solano, Sonoma, Sutter,
Tehama, Trinity, Yolo,
and Yuba,
1-800-829-4032
Oakland, 839-4245
Elsewhere, 1-800-829-4477

Colorado
Denver, 592-1118
Elsewhere, 1-800-829-4477

Connecticut
1-800-829-4477

Delaware
1-800-829-4477

District of Columbia
628-2929

Florida
1-800-829-4477

Georgia
Atlanta, 331-6572
Elsewhere, 1-800-829-4477

Hawaii
1-800-829-4477

Idaho
1-800-829-4477

Illinois
Chicago, 886-9614
In area code 708,
1-312-886-9614
Springfield, 789-0489
Elsewhere, 1-800-829-4477

Indiana
Indianapolis, 631-1010
Elsewhere, 1-800-829-4477

Iowa
Des Moines, 284-7454
Elsewhere, 1-800-829-4477

Kansas
1-800-829-4477

Kentucky
1-800-829-4477

Louisiana
1-800-829-4477

Maine
1-800-829-4477

Maryland
Baltimore, 244-7306
Elsewhere, 1-800-829-4477

Massachusetts
Boston, 536-0709
Elsewhere, 1-800-829-4477

Michigan
Detroit, 961-4282
Elsewhere, 1-800-829-4477

Minnesota
St. Paul, 644-7748
Elsewhere, 1-800-829-4477

Mississippi
1-800-829-4477

Missouri
St. Louis, 241-4700
Elsewhere, 1-800-829-4477

Montana
1-800-829-4477

Nebraska
Omaha, 221-3324
Elsewhere, 1-800-829-4477

Nevada
1-800-829-4477

New Hampshire
1-800-829-4477

New Jersey
1-800-829-4477

New Mexico
1-800-829-4477

New York
Bronx, 488-8432
Brooklyn, 488-8432
Buffalo, 685-5533
Manhattan, 406-4080
Queens, 488-8432
Staten Island, 488-8432
Elsewhere, 1-800-829-4477

North Carolina
1-800-829-4477

North Dakota
1-800-829-4477

Ohio
Cincinnati, 421-0329
Cleveland, 522-3037
Elsewhere, 1-800-829-4477

Oklahoma
1-800-829-4477

Oregon
Portland, 294-5363
Elsewhere, 1-800-829-4477

Pennsylvania
Philadelphia, 627-1040
Pittsburgh, 261-1040
Elsewhere, 1-800-829-4477

Puerto Rico
1-800-829-4477

Rhode Island
1-800-829-4477

South Carolina
1-800-829-4477

South Dakota
1-800-829-4477

Tennessee
1-800-829-4477

Texas
Dallas, 767-1792
Houston, 541-3400
Elsewhere, 1-800-829-4477

Utah
1-800-829-4477

Vermont
1-800-829-4477

Virginia
Richmond, 783-1569
Elsewhere, 1-800-829-4477

Washington
Seattle, 343-7221
Elsewhere, 1-800-829-4477

West Virginia
1-800-829-4477

Wisconsin
Milwaukee, 273-8100
Elsewhere, 1-800-829-4477

Wyoming
1-800-829-4477

Tele-Tax Topic Numbers and Subjects

Topic No.	Subject
	IRS Procedures and Services
101	IRS help available—Volunteer tax assistance programs, toll-free telephone, walk-in assistance, and outreach program
102	Tax assistance for individuals with disabilities and the hearing impaired
103	Small Business Tax Education Program (STEP)—Tax help for small businesses
104	Problem Resolution Program—Help for problem situations
105	Public libraries—Tax information tapes and reproducible tax forms
106	1040PC tax return
107	The collection process
108	Tax fraud—How to report
109	Types of organizations that qualify for tax-exempt status
110	Organizations—How to apply for exempt status
111	Your appeal rights
112	Electronic filing
113	Power of attorney information
114	Change of address—How to notify IRS
911	Hardship assistance applications
999	Local information
	Filing Requirements, Filing Status, Exemptions
151	Who must file?
152	Which form—1040, 1040A, or 1040EZ?
153	When, where, and how to file
154	What is your filing status?
155	Dependents
156	Estimated tax
157	Amended returns
158	Decedents
	Types of Income
201	Wages and salaries
202	Tips
203	Interest received
204	Dividends
205	Refund of state and local taxes
206	Alimony received
207	Business income
208	Sole proprietorship
209	Capital gains and losses
210	Pensions and annuities
211	Pensions—The general rule and the simplified general rule
212	Lump-sum distributions
213	Rental income and expenses
214	Renting vacation property/Renting to relatives
215	Royalties
216	Farming and fishing income
217	Earnings for clergy
218	Unemployment compensation
219	Gambling income and expenses
220	Bartering income
221	Scholarship and fellowship grants
222	Nontaxable income
223	Social security and equivalent railroad retirement benefits
224	401(k) plans
225	Passive activities—Losses/credits

Topic No.	Subject
	Adjustments to Income
251	Individual retirement arrangements (IRAs)
252	Alimony paid
253	Bad debt deduction
254	Tax shelters
	Itemized Deductions
301	Should I itemize?
302	Medical and dental expenses
303	Deductible taxes
304	Moving expenses
305	Interest expense
306	Contributions
307	Casualty losses
308	Miscellaneous expenses
309	Business use of home
310	Business use of car
311	Business travel expenses
312	Business entertainment expenses
313	Educational expenses
314	Employee business expenses
	Tax Computation
351	Tax and credits figured by IRS
352	Self-employment tax
353	Five-year averaging for lump-sum distributions
354	Alternative minimum tax
355	Gift tax
356	Estate tax
357	Standard deduction
358	Tax on a child's investment income
	Tax Credits
401	Child and dependent care credit
402	Earned income credit
403	Credit for the elderly or the disabled
	General Information
451	Substitute tax forms
452	Highlights of 1992 tax changes
453	Refunds—How long they should take
454	Copy of your tax return—How to get one
455	Forms/Publications—How to order
456	Offers in compromise
457	Extension of time to file your tax return
458	Form W-2—What to do if not received
459	Penalty for underpayment of estimated tax
460	Recordkeeping
461	How to choose a tax preparer
462	Failure to pay child/spousal support and other Federal obligations
463	Withholding on interest and dividends
464	What to do if you haven't filed your tax return (Nonfilers)
465	Checklist/Common errors when preparing your tax return
466	Withholding on pensions and annuities
467	What to do if you can't pay your tax
468	Desert Storm
	IRS Notices and Letters
501	Notices—What to do
502	Notice of underreported income—CP 2000
503	IRS notices and bills/Penalty and interest charges
	Basis of Assets, Depreciation, Sale of Assets
551	Sale of your home—General
552	Sale of your home—How to report gain
553	Sale of your home—Exclusion of gain, age 55 and over
554	Basis of assets
555	Depreciation
556	Installment sales

Topic No.	Subject
	Employer Tax Information
601	Social security and Medicare withholding rates
602	Form W-2—Where, when, and how to file
603	Form W-4—Employee's Withholding Allowance Certificate
604	Employer identification number—How to apply
605	Form 942—Employer's Quarterly Tax Return for Household Employees
606	Form 941—Deposit requirements
607	Form 941—Employer's Quarterly Federal Tax Return
608	Form 940—Deposit requirements
609	Form 940/940-EZ—Employer's Annual Federal Unemployment Tax Return
610	Targeted jobs credit
611	Tips—Withholding and reporting
	Form 1099 Series and Related Information Returns—Filing Magnetically or Electronically
651	Who must file—Originals and corrections
652	Acceptable media/Locating a third party to prepare your files
653	Applications, forms, and information
654	Waivers, extensions, and format deviations
655	Test files and combined Federal/state filing
656	Electronic filing of information returns
657	Information Returns Program Bulletin Board System
	Tax Information for Aliens and U.S. Citizens Living Abroad
701	Resident and nonresident aliens
702	Dual-status alien
703	Foreign earned income exclusion—General
704	Foreign earned income exclusion—Who qualifies?
705	Foreign earned income exclusion—What qualifies?
706	Foreign tax credit
	The following topics are in Spanish:
751	Who must file?
752	Which form to use?
753	What is your filing status?
754	Earned income credit
755	Highlights of 1992 tax changes
756	Forms and publications—How to order
757	Alien tax clearance
758	Refunds—How long they should take
759	IRS help available—Volunteer tax assistance programs, toll-free telephone, walk-in assistance, and outreach program
760	Social security and equivalent railroad retirement benefits
	Tax Information for Puerto Rico Residents
851	Who must file a U.S. income tax return in Puerto Rico
852	Deductions and credits for Puerto Rico filers
853	Federal employment taxes in Puerto Rico
854	Tax assistance for residents of Puerto Rico

Topic numbers are effective January 1, 1993.

Call the IRS With Your Tax Question

If the instructions to the tax forms and our free tax publications have not answered your question, please call us TOLL FREE. "Toll Free" is a telephone call for which you pay only local charges, if any. This service is generally available Monday through Friday during regular business hours.

Choosing The Right Number

Use only the number listed on this page for your area. Use a local city number only if it is not a long distance call for you. **Please do not dial "1-800" when using a local city number.** However, when dialing from an area that does not have a local number, be sure to dial "1-800" before calling the toll-free number.

Before You Call

Remember that good communication is a two-way process. IRS representatives care about the quality of the service we provide to you, our customer. You can help us provide accurate, complete answers to your tax questions by having the following information available:

1. The tax form, schedule, or notice to which your question relates.
2. The facts about your particular situation (the answer to the same question often varies from one taxpayer to another because of differences in their age, income, whether they can be claimed as a dependent, etc.).
3. The name of any IRS publication or other source of information that you used to look for the answer.

Before You Hang Up

If you do not fully understand the answer you receive, or you feel our representative may not fully understand your question, our representative needs to know this. The representative will be happy to take the additional time required to be sure he or she has answered your question fully and in the manner that is most helpful to you.

By law, you are responsible for paying your fair share of Federal income tax. If we should make an error in answering your question, you are still responsible for the payment of the correct tax. Should this occur, however, you will not be charged any penalty. To make sure that IRS representatives give accurate and courteous answers, a second IRS representative sometimes listens in on telephone calls. No record is kept of any taxpayer's identity.

Toll-free tax help telephone numbers

Alabama
1-800-829-1040

Alaska
Anchorage, 561-7484
Elsewhere, 1-800-829-1040

Arizona
Phoenix, 640-3900
Elsewhere, 1-800-829-1040

Arkansas
1-800-829-1040

California
Oakland, 839-1040
Elsewhere, 1-800-829-1040

Colorado
Denver, 825-7041
Elsewhere, 1-800-829-1040

Connecticut
1-800-829-1040

Delaware
1-800-829-1040

District of Columbia
1-800-829-1040

Florida
Jacksonville, 354-1760
Elsewhere, 1-800-829-1040

Georgia
Atlanta, 522-0050
Elsewhere, 1-800-829-1040

Hawaii
Oahu, 541-1040
Elsewhere, 1-800-829-1040

Idaho
1-800-829-1040

Illinois
Chicago, 435-1040
In area code 708,
1-312-435-1040
Elsewhere, 1-800-829-1040

Indiana
Indianapolis, 226-5477
Elsewhere, 1-800-829-1040

Iowa
Des Moines, 283-0523
Elsewhere, 1-800-829-1040

Kansas
1-800-829-1040

Kentucky
1-800-829-1040

Louisiana
1-800-829-1040

Maine
1-800-829-1040

Maryland
Baltimore, 962-2590
Elsewhere, 1-800-829-1040

Massachusetts
Boston, 536-1040
Elsewhere, 1-800-829-1040

Michigan
Detroit, 237-0800
Elsewhere, 1-800-829-1040

Minnesota
Minneapolis, 644-7515
St. Paul, 644-7515
Elsewhere, 1-800-829-1040

Mississippi
1-800-829-1040

Missouri
St. Louis, 342-1040
Elsewhere, 1-800-829-1040

Montana
1-800-829-1040

Nebraska
Omaha, 422-1500
Elsewhere, 1-800-829-1040

Nevada
1-800-829-1040

New Hampshire
1-800-829-1040

New Jersey
1-800-829-1040

New Mexico
1-800-829-1040

New York
Bronx, 488-9150
Brooklyn, 488-9150
Buffalo, 685-5432
Manhattan, 732-0100
Nassau, 222-1131
Queens, 488-9150
Staten Island, 488-9150
Suffolk, 724-5000
Elsewhere, 1-800-829-1040

North Carolina
1-800-829-1040

North Dakota
1-800-829-1040

Ohio
Cincinnati, 621-6281
Cleveland, 522-3000
Elsewhere, 1-800-829-1040

Oklahoma
1-800-829-1040

Oregon
Portland, 221-3960
Elsewhere, 1-800-829-1040

Pennsylvania
Philadelphia, 574-9900
Pittsburgh, 281-0112
Elsewhere, 1-800-829-1040

Puerto Rico
San Juan Metro Area,
766-5040
Elsewhere, 1-800-829-1040

Rhode Island
1-800-829-1040

South Carolina
1-800-829-1040

South Dakota
1-800-829-1040

Tennessee
Nashville, 259-4601
Elsewhere, 1-800-829-1040

Texas
Dallas, 742-2440
Houston, 541-0440
Elsewhere, 1-800-829-1040

Utah
1-800-829-1040

Vermont
1-800-829-1040

Virginia
Richmond, 649-2361
Elsewhere, 1-800-829-1040

Washington
Seattle, 442-1040
Elsewhere, 1-800-829-1040

West Virginia
1-800-829-1040

Wisconsin
Milwaukee, 271-3780
Elsewhere, 1-800-829-1040

Wyoming
1-800-829-1040

Phone Help for Hearing-Impaired People With TDD Equipment

All areas in U.S., including
Alaska, Hawaii, Virgin
Islands, and Puerto Rico,
1-800-829-4059

Hours of Operation for the Hearing-Impaired:

8:00 A.M. to 6:30 P.M. EST
(Jan. 1–April 4)
9:00 A.M. to 7:30 P.M. EDT
(April 5–April 15)
9:00 A.M. to 5:30 P.M. EDT
(April 16–Oct. 31)
8:00 A.M. to 4:30 P.M. EST
(Nov. 1–Dec. 31)

How To Get Forms and Publications

Generally, we mail forms and schedules directly to you based on what seems to be right for you. Schedules, forms, and publications you may need are listed on the next page. Other forms and publications referred to in the instructions are also available without cost. Get **Pub. 910** for a complete list of available publications.

To get the items you need from the IRS you can visit your local IRS office, use the order blank below, or call our toll-free order number 1-800-TAX-FORM (1-800-829-3676).

Instructions

We will send you two copies of each form and one copy of each publication or set of instructions you circle on the order blank below. To help reduce waste, please order only the items you think you will need to prepare your return. Use the blank spaces to order items not listed. If you need more space, attach a separate sheet of paper listing the additional items you need.

Print or type your name and address accurately in the space provided below. This will be the label used to return material to you. Cut the order blank on the dotted line. Enclose the order blank in your own envelope and address your envelope to the IRS address shown on this page for your state. You should either receive your order or notification of the status of your order within 7–15 work days after we receive your request.

Do not send your tax return to any of the addresses listed on this page. Instead, see **Where Should I File?** on page 8.

Where to Send Your Order for Free Forms and Publications

If you live in:	Send to:	Other locations:
Alaska, Arizona, California, Colorado, Hawaii, Idaho, Kansas, Montana, Nevada, New Mexico, Oklahoma, Oregon, Utah, Washington, Wyoming	Western Area Distribution Center Rancho Cordova, CA 95743-0001	Foreign Addresses— Taxpayers with mailing addresses in foreign countries should send this order blank to either: Eastern Area Distribution Center, P.O. Box 25866, Richmond, VA 23286-8107; or Western Area Distribution Center, Rancho Cordova, CA 95743-0001, whichever is closer. Send letter requests for other forms and publications to: Eastern Area Distribution Center, P.O. Box 25866, Richmond, VA 23286-8107. Puerto Rico— Eastern Area Distribution Center, P.O. Box 25866, Richmond, VA 23286-8107. Virgin Islands— V.I. Bureau of Internal Revenue, Lockharts Garden No. 1A, Charlotte Amalie, St. Thomas, VI 00802
Alabama, Arkansas, Illinois, Indiana, Iowa, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Tennessee, Texas, Wisconsin	Central Area Distribution Center P.O. Box 8903 Bloomington, IL 61702-8903	
Connecticut, Delaware, District of Columbia, Florida, Georgia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Vermont, Virginia, West Virginia	Eastern Area Distribution Center P.O. Box 85074 Richmond, VA 23261-5074	

Detach at this line

Order Blank

Print or type your name here

Name

Number, street, and apt. number

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

Circle Desired Forms, Instructions, and Publications

1040	Schedule EIC (1040A or 1040)	Schedule 2 (1040A)	2119 & instructions	8332	Pub. 463	Pub. 529	
Instructions for 1040 & Schedules	Schedule F (1040)	Schedule 3 (1040A) & instructions	2210 & instructions	8582 & instructions	Pub. 505	Pub. 590	
Schedules A&B (1040)	Schedule R (1040) & instructions	1040EZ	2441 & instructions	8822	Pub. 508	Pub. 596	
Schedule C (1040)	Schedule SE (1040)	Instructions for 1040EZ	3903 & instructions	8829	Pub. 521	Pub. 910	
Schedule C-EZ (1040)	1040A	1040-ES (1993)	4562 & instructions	Pub. 1	Pub. 523	Pub. 917	
Schedule D (1040)	Instructions for 1040A & Schedules	1040X & instructions	4868	Pub. 17	Pub. 525	Pub. 929	
Schedule E (1040)	Schedule 1 (1040A)	2106 & instructions	8283 & instructions	Pub. 334	Pub. 527		

Forms

You can order the following items from the IRS or get them at participating banks, post offices, or libraries.

Form 1040

Instructions for Form 1040 and Schedules

Schedule A for itemized deductions

Schedule B for interest income if more than \$400; for dividends and other distributions on stock if more than \$400; and for answering the Foreign Accounts or Foreign Trusts questions

Schedule EIC for the earned income credit

Form 1040A

Instructions for Form 1040A and Schedules
Schedule 1 for Form 1040A filers to report interest and dividend income

Schedule 2 for Form 1040A filers to report child and dependent care expenses

Form 1040EZ

Instructions for Form 1040EZ

You can photocopy the following items (as well as those listed above) at participating libraries or order them from the IRS.

Schedule 3, Credit for the Elderly or the Disabled for Form 1040A Filers

Schedule C, Profit or Loss From Business

Schedule C-EZ, Net Profit From Business

Schedule D, Capital Gains and Losses

Schedule E, Supplemental Income and Loss

Schedule F, Profit or Loss From Farming

Schedule R, Credit for the Elderly or the Disabled

Schedule SE, Self-Employment Tax

Form 1040-ES, Estimated Tax for Individuals

Form 1040X, Amended U.S. Individual Income Tax Return

Form 2106, Employee Business Expenses

Form 2119, Sale of Your Home

Form 2210, Underpayment of Estimated Tax by Individuals and Fiduciaries

Form 2441, Child and Dependent Care Expenses

Form 3903, Moving Expenses

Form 4562, Depreciation and Amortization

Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return

Form 8283, Noncash Charitable Contributions

Form 8332, Release of Claim to Exemption for Child of Divorced or Separated Parents

Form 8582, Passive Activity Loss Limitations

Form 8822, Change of Address

Form 8829, Expenses for Business Use of Your Home

Publications

The following publications can be ordered from the IRS, or you can read or photocopy them at participating libraries.

1 Your Rights as a Taxpayer

17 Your Federal Income Tax

334 Tax Guide for Small Business

463 Travel, Entertainment, and Gift Expenses

501 Exemptions, Standard Deduction, and Filing Information

502 Medical and Dental Expenses

504 Divorced or Separated Individuals

505 Tax Withholding and Estimated Tax

508 Educational Expenses

521 Moving Expenses

523 Selling Your Home

524 Credit for the Elderly or the Disabled

525 Taxable and Nontaxable Income

527 Residential Rental Property (Including Rental of Vacation Houses)

529 Miscellaneous Deductions

554 Tax Information for Older Americans

590 Individual Retirement Arrangements (IRAs)

596 Earned Income Credit

910 Guide to Free Tax Services (includes a list of all publications)

917 Business Use of a Car

929 Tax Rules for Children and Dependents

What Are My Rights as a Taxpayer?

You have the right to be treated fairly, professionally, promptly, and courteously by Internal Revenue Service employees. Our goal at the IRS is to protect your rights so that you will have the highest confidence in the integrity, efficiency, and fairness of our tax system. To ensure that you always receive such treatment, you should know about the many rights you have at each step of the tax process. For details, get **Pub. 1, Your Rights as a Taxpayer**, by calling 1-800-TAX-FORM (1-800-829-3676) or use the order blank on page 31.

Income Tax Withholding and Estimated Tax Payments for 1993

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

In general, you do not have to make estimated tax payments if you expect that your 1993 Form 1040 will show a tax refund or a tax balance due the IRS of less than \$500. If your total estimated tax (including any alternative minimum tax) for 1993 is \$500 or more, get **Form 1040-ES, Estimated Tax for Individuals**. It has a worksheet you can use to see if you have to make estimated tax payments.

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

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

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

Gift To Reduce the Public Debt

You may make a gift to reduce the public debt. If you wish to do so, enclose a separate check with your income tax return. Make it payable to "Bureau of the Public Debt." You may be able to deduct this gift on your 1993 tax return if you itemize your deductions. Do not add your gift to any tax you may owe. If you owe tax, include a separate check for that amount payable to "Internal Revenue Service."

Address Change

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

Corresponding With the IRS

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

How Long Should Records Be Kept?

Keep records of income, deductions, and credits shown on your return, as well as any worksheets you used, until the statute of limitations runs out for that return. Usually, this is 3 years from the date the return was due or filed, or 2 years from the date the tax was paid, whichever is later. Also, keep copies of your filed tax returns and any Forms W-2 or 1099 you received as part of your records. You should keep some records longer. For example, keep property records (including those on your home) as long as they are needed to figure the basis of the original or replacement property. For more details, get **Pub. 552, Recordkeeping for Individuals**.

Requesting a Copy of Your Tax Return

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

Amended Return

If you find changes in your income, deductions, or credits after you mail your return, file **Form 1040X, Amended U.S. Individual Income Tax Return**, to change the return you already filed. If you filed a joint return, you may not, after the due date of that return, amend it to file as married filing a separate return. Generally, Form 1040X must be filed within 3 years after the date the original return was filed, or within 2 years after the date the tax was paid, whichever is later. A return filed early is considered filed on the date it was due.

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

Death of Taxpayer

If a taxpayer died before filing a return for 1992, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property. If the taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

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

If your spouse died in 1992 and you did not remarry in 1992, you can file a joint return. You can also file a joint return if your spouse died in 1993 before filing a 1992 return. A joint return should show your spouse's 1992 income before death and your income for all of 1992. Write "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign.

The taxpayer's spouse or personal representative should promptly notify all payers of income to the deceased taxpayer, including financial institutions, of his or her death. This will ensure the proper reporting of income earned by the taxpayer's estate or heirs.

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

For more details, see Tele-Tax (topic no. 158) on page 28 or get **Pub. 559, Survivors, Executors, and Administrators**.

Recycling

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

Section 6.

Penalties and Interest

Interest

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

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

Late Filing of Return

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

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

Late Payment of Tax

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

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

Penalty for Frivolous Return

In addition to any other penalties, the law imposes a penalty of \$500 for filing a frivolous return. A frivolous return is one that does not contain information needed to figure the correct tax or shows a substantially incorrect tax, because you take a frivolous position or desire to delay or interfere with the tax laws. This includes altering or striking out the pre-printed language above the space where you sign.

Other Penalties

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

Section 7.

1992 Tax Table

Use if your taxable income is less than \$100,000.
If \$100,000 or more, use the Tax Rate Schedules.

Example. Mr. and Mrs. Brown are filing a joint return. Their taxable income on line 37 of Form 1040 is \$25,300. First, they find the \$25,300–25,350 income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the income line and filing status column meet is \$3,799. This is the tax amount they must enter on line 38 of their Form 1040.

Sample Table

At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
Your tax is—					
25,200	25,250	4,275	3,784	4,736	3,784
25,250	25,300	4,289	3,791	4,750	3,791
25,300	25,350	4,303	(3,799)	4,764	3,799
25,350	25,400	4,317	3,806	4,778	3,806

If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
Your tax is—																	
0	5	0	0	0	0	1,300	1,325	197	197	197	197	2,700	2,725	407	407	407	407
5	15	2	2	2	2	1,325	1,350	201	201	201	201	2,725	2,750	411	411	411	411
15	25	3	3	3	3	1,350	1,375	204	204	204	204	2,750	2,775	414	414	414	414
25	50	6	6	6	6	1,375	1,400	208	208	208	208	2,775	2,800	418	418	418	418
50	75	9	9	9	9	1,400	1,425	212	212	212	212	2,800	2,825	422	422	422	422
75	100	13	13	13	13	1,425	1,450	216	216	216	216	2,825	2,850	426	426	426	426
100	125	17	17	17	17	1,450	1,475	219	219	219	219	2,850	2,875	429	429	429	429
125	150	21	21	21	21	1,475	1,500	223	223	223	223	2,875	2,900	433	433	433	433
150	175	24	24	24	24	1,500	1,525	227	227	227	227	2,900	2,925	437	437	437	437
175	200	28	28	28	28	1,525	1,550	231	231	231	231	2,925	2,950	441	441	441	441
200	225	32	32	32	32	1,550	1,575	234	234	234	234	2,950	2,975	444	444	444	444
225	250	36	36	36	36	1,575	1,600	238	238	238	238	2,975	3,000	448	448	448	448
250	275	39	39	39	39	1,600	1,625	242	242	242	242	3,000					
275	300	43	43	43	43	1,625	1,650	246	246	246	246	3,000	3,050	454	454	454	454
300	325	47	47	47	47	1,650	1,675	249	249	249	249	3,050	3,100	461	461	461	461
325	350	51	51	51	51	1,675	1,700	253	253	253	253	3,100	3,150	469	469	469	469
350	375	54	54	54	54	1,700	1,725	257	257	257	257	3,150	3,200	476	476	476	476
375	400	58	58	58	58	1,725	1,750	261	261	261	261	3,200	3,250	484	484	484	484
400	425	62	62	62	62	1,750	1,775	264	264	264	264	3,250	3,300	491	491	491	491
425	450	66	66	66	66	1,775	1,800	268	268	268	268	3,300	3,350	499	499	499	499
450	475	69	69	69	69	1,800	1,825	272	272	272	272	3,350	3,400	506	506	506	506
475	500	73	73	73	73	1,825	1,850	276	276	276	276	3,400	3,450	514	514	514	514
500	525	77	77	77	77	1,850	1,875	279	279	279	279	3,450	3,500	521	521	521	521
525	550	81	81	81	81	1,875	1,900	283	283	283	283	3,500	3,550	529	529	529	529
550	575	84	84	84	84	1,900	1,925	287	287	287	287	3,550	3,600	536	536	536	536
575	600	88	88	88	88	1,925	1,950	291	291	291	291	3,600	3,650	544	544	544	544
600	625	92	92	92	92	1,950	1,975	294	294	294	294	3,650	3,700	551	551	551	551
625	650	96	96	96	96	1,975	2,000	298	298	298	298	3,700	3,750	559	559	559	559
650	675	99	99	99	99	2,000						3,750	3,800	566	566	566	566
675	700	103	103	103	103	2,000	2,025	302	302	302	302	3,800	3,850	574	574	574	574
700	725	107	107	107	107	2,025	2,050	306	306	306	306	3,850	3,900	581	581	581	581
725	750	111	111	111	111	2,050	2,075	309	309	309	309	3,900	3,950	589	589	589	589
750	775	114	114	114	114	2,075	2,100	313	313	313	313	3,950	4,000	596	596	596	596
775	800	118	118	118	118	2,100	2,125	317	317	317	317	4,000					
800	825	122	122	122	122	2,125	2,150	321	321	321	321	4,000	4,050	604	604	604	604
825	850	126	126	126	126	2,150	2,175	324	324	324	324	4,050	4,100	611	611	611	611
850	875	129	129	129	129	2,175	2,200	328	328	328	328	4,100	4,150	619	619	619	619
875	900	133	133	133	133	2,200	2,225	332	332	332	332	4,150	4,200	626	626	626	626
900	925	137	137	137	137	2,225	2,250	336	336	336	336	4,200	4,250	634	634	634	634
925	950	141	141	141	141	2,250	2,275	339	339	339	339	4,250	4,300	641	641	641	641
950	975	144	144	144	144	2,275	2,300	343	343	343	343	4,300	4,350	649	649	649	649
975	1,000	148	148	148	148	2,300	2,325	347	347	347	347	4,350	4,400	656	656	656	656
1,000						2,325	2,350	351	351	351	351	4,400	4,450	664	664	664	664
1,000	1,025	152	152	152	152	2,350	2,375	354	354	354	354	4,450	4,500	671	671	671	671
1,025	1,050	156	156	156	156	2,375	2,400	358	358	358	358	4,500	4,550	679	679	679	679
1,050	1,075	159	159	159	159	2,400	2,425	362	362	362	362	4,550	4,600	686	686	686	686
1,075	1,100	163	163	163	163	2,425	2,450	366	366	366	366	4,600	4,650	694	694	694	694
1,100	1,125	167	167	167	167	2,450	2,475	369	369	369	369	4,650	4,700	701	701	701	701
1,125	1,150	171	171	171	171	2,475	2,500	373	373	373	373	4,700	4,750	709	709	709	709
1,150	1,175	174	174	174	174	2,500	2,525	377	377	377	377	4,750	4,800	716	716	716	716
1,175	1,200	178	178	178	178	2,525	2,550	381	381	381	381	4,800	4,850	724	724	724	724
1,200	1,225	182	182	182	182	2,550	2,575	384	384	384	384	4,850	4,900	731	731	731	731
1,225	1,250	186	186	186	186	2,575	2,600	388	388	388	388	4,900	4,950	739	739	739	739
1,250	1,275	189	189	189	189	2,600	2,625	392	392	392	392	4,950	5,000	746	746	746	746
1,275	1,300	193	193	193	193	2,625	2,650	396	396	396	396	Continued on next page					
						2,650	2,675	399	399	399	399						
						2,675	2,700	403	403	403	403						

* This column must also be used by a qualifying widow(er).

1992 Tax Table—Continued

If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
95,000						97,000						99,000					
95,000	95,050	25,112	22,209	25,833	23,496	97,000	97,050	25,732	22,829	26,453	24,116	99,000	99,050	26,352	23,449	27,073	24,736
95,050	95,100	25,128	22,224	25,849	23,511	97,050	97,100	25,748	22,844	26,469	24,131	99,050	99,100	26,368	23,464	27,089	24,751
95,100	95,150	25,143	22,240	25,864	23,527	97,100	97,150	25,763	22,860	26,484	24,147	99,100	99,150	26,383	23,480	27,104	24,767
95,150	95,200	25,159	22,255	25,880	23,542	97,150	97,200	25,779	22,875	26,500	24,162	99,150	99,200	26,399	23,495	27,120	24,782
95,200	95,250	25,174	22,271	25,895	23,558	97,200	97,250	25,794	22,891	26,515	24,178	99,200	99,250	26,414	23,511	27,135	24,798
95,250	95,300	25,190	22,286	25,911	23,573	97,250	97,300	25,810	22,906	26,531	24,193	99,250	99,300	26,430	23,526	27,151	24,813
95,300	95,350	25,205	22,302	25,926	23,589	97,300	97,350	25,825	22,922	26,546	24,209	99,300	99,350	26,445	23,542	27,166	24,829
95,350	95,400	25,221	22,317	25,942	23,604	97,350	97,400	25,841	22,937	26,562	24,224	99,350	99,400	26,461	23,557	27,182	24,844
95,400	95,450	25,236	22,333	25,957	23,620	97,400	97,450	25,856	22,953	26,577	24,240	99,400	99,450	26,476	23,573	27,197	24,860
95,450	95,500	25,252	22,348	25,973	23,635	97,450	97,500	25,872	22,968	26,593	24,255	99,450	99,500	26,492	23,588	27,213	24,875
95,500	95,550	25,267	22,364	25,988	23,651	97,500	97,550	25,887	22,984	26,608	24,271	99,500	99,550	26,507	23,604	27,228	24,891
95,550	95,600	25,283	22,379	26,004	23,666	97,550	97,600	25,903	22,999	26,624	24,286	99,550	99,600	26,523	23,619	27,244	24,906
95,600	95,650	25,298	22,395	26,019	23,682	97,600	97,650	25,918	23,015	26,639	24,302	99,600	99,650	26,538	23,635	27,259	24,922
95,650	95,700	25,314	22,410	26,035	23,697	97,650	97,700	25,934	23,030	26,655	24,317	99,650	99,700	26,554	23,650	27,275	24,937
95,700	95,750	25,329	22,426	26,050	23,713	97,700	97,750	25,949	23,046	26,670	24,333	99,700	99,750	26,569	23,666	27,290	24,953
95,750	95,800	25,345	22,441	26,066	23,728	97,750	97,800	25,965	23,061	26,686	24,348	99,750	99,800	26,585	23,681	27,306	24,968
95,800	95,850	25,360	22,457	26,081	23,744	97,800	97,850	25,980	23,077	26,701	24,364	99,800	99,850	26,600	23,697	27,321	24,984
95,850	95,900	25,376	22,472	26,097	23,759	97,850	97,900	25,996	23,092	26,717	24,379	99,850	99,900	26,616	23,712	27,337	24,999
95,900	95,950	25,391	22,488	26,112	23,775	97,900	97,950	26,011	23,108	26,732	24,395	99,900	99,950	26,631	23,728	27,352	25,015
95,950	96,000	25,407	22,503	26,128	23,790	97,950	98,000	26,027	23,123	26,748	24,410	99,950	100,000	26,647	23,743	27,368	25,030
96,000						98,000						100,000 or over — use tax rate schedules					
96,000	96,050	25,422	22,519	26,143	23,806	98,000	98,050	26,042	23,139	26,763	24,426						
96,050	96,100	25,438	22,534	26,159	23,821	98,050	98,100	26,058	23,154	26,779	24,441						
96,100	96,150	25,453	22,550	26,174	23,837	98,100	98,150	26,073	23,170	26,794	24,457						
96,150	96,200	25,469	22,565	26,190	23,852	98,150	98,200	26,089	23,185	26,810	24,472						
96,200	96,250	25,484	22,581	26,205	23,868	98,200	98,250	26,104	23,201	26,825	24,488						
96,250	96,300	25,500	22,596	26,221	23,883	98,250	98,300	26,120	23,216	26,841	24,503						
96,300	96,350	25,515	22,612	26,236	23,899	98,300	98,350	26,135	23,232	26,856	24,519						
96,350	96,400	25,531	22,627	26,252	23,914	98,350	98,400	26,151	23,247	26,872	24,534						
96,400	96,450	25,546	22,643	26,267	23,930	98,400	98,450	26,166	23,263	26,887	24,550						
96,450	96,500	25,562	22,658	26,283	23,945	98,450	98,500	26,182	23,278	26,903	24,565						
96,500	96,550	25,577	22,674	26,298	23,961	98,500	98,550	26,197	23,294	26,918	24,581						
96,550	96,600	25,593	22,689	26,314	23,976	98,550	98,600	26,213	23,309	26,934	24,596						
96,600	96,650	25,608	22,705	26,329	23,992	98,600	98,650	26,228	23,325	26,949	24,612						
96,650	96,700	25,624	22,720	26,345	24,007	98,650	98,700	26,244	23,340	26,965	24,627						
96,700	96,750	25,639	22,736	26,360	24,023	98,700	98,750	26,259	23,356	26,980	24,643						
96,750	96,800	25,655	22,751	26,376	24,038	98,750	98,800	26,275	23,371	26,996	24,658						
96,800	96,850	25,670	22,767	26,391	24,054	98,800	98,850	26,290	23,387	27,011	24,674						
96,850	96,900	25,686	22,782	26,407	24,069	98,850	98,900	26,306	23,402	27,027	24,689						
96,900	96,950	25,701	22,798	26,422	24,085	98,900	98,950	26,321	23,418	27,042	24,705						
96,950	97,000	25,717	22,813	26,438	24,100	98,950	99,000	26,337	23,433	27,058	24,720						

* This column must also be used by a qualifying widow(er).

1992 Tax Rate Schedules

Caution: Use *only* if your taxable income (Form 1040, line 37) is \$100,000 or more. If less, use the **Tax Table**. Even though you cannot use the tax rate schedules below if your taxable income is less than \$100,000, all levels of taxable income are shown so taxpayers can see the tax rate that applies to each level.

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

If the amount on Form 1040, line 37, is: Over—	But not over—	Enter on Form 1040, line 38	of the amount over—
\$0	\$21,450	..... 15%	\$0
21,450	51,900	\$3,217.50 + 28%	21,450
51,900	.....	11,743.50 + 31%	51,900

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

If the amount on Form 1040, line 37, is: Over—	But not over—	Enter on Form 1040, line 38	of the amount over—
\$0	\$35,800	..... 15%	\$0
35,800	86,500	\$5,370.00 + 28%	35,800
86,500	.....	19,566.00 + 31%	86,500

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

If the amount on Form 1040, line 37, is: Over—	But not over—	Enter on Form 1040, line 38	of the amount over—
\$0	\$17,900	..... 15%	\$0
17,900	43,250	\$2,685.00 + 28%	17,900
43,250	.....	9,783.00 + 31%	43,250

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

If the amount on Form 1040, line 37, is: Over—	But not over—	Enter on Form 1040, line 38	of the amount over—
\$0	\$28,750	..... 15%	\$0
28,750	74,150	\$4,312.50 + 28%	28,750
74,150	.....	17,024.50 + 31%	74,150

Section 8.

Instructions for Schedules to Form 1040

Instructions for Schedule A, Itemized Deductions

Use Schedule A to figure your itemized deductions. Your Federal income tax will be less if you take the **larger** of your itemized deductions or your standard deduction.

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

Medical and Dental Expenses

Before you can figure your deduction for medical and dental expenses, you must fill in Form 1040 through line 32. If the amount on Form 1040, line 32, is less than \$22,370 and a child lived with you, see the instructions on page EIC-1 to find out if you may also claim the health insurance credit on **Schedule EIC**, Earned Income Credit. If you can, figure your health insurance credit before you figure your deduction for medical and dental expenses.

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

Additional Information. Pub. 502, Medical and Dental Expenses, discusses the types of expenses that may and may not be deducted. It also explains when you may deduct capital expenditures and special care expenses for handicapped persons.

Examples of Medical and Dental Payments You May Deduct

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

- Prescription medicines and drugs, or insulin.
- Medical doctors, osteopathic doctors, dentists, eye doctors, chiropractors, podiatrists, psychiatrists, psychologists, physical therapists, acupuncturists, and psychoanalysts (medical care only).
- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths your doctor ordered.
- Nursing help. If you paid someone to do both nursing and housework, you may deduct only the cost of the nursing help.
- Hospital care (including meals and lodging), clinic costs, and lab fees.
- The supplemental part of Medicare insurance (Medicare B).
- Medical treatment at a center for drug or alcohol addiction.
- Medical aids such as hearing aid batteries, braces, crutches, wheelchairs, and guide dogs including the cost of maintaining them.
- Lodging expenses (but not meals) paid while away from home to receive medical care in a hospital or a medical care facility

A-1

that is related to a hospital. **Do not** include more than \$50 a night for each eligible person.

- Ambulance service and other travel costs to get medical care. If you used your own car, you may claim what you spent for gas and oil to go to and from the place you received the care; or you may claim 9 cents a mile. Add parking and tolls to the amount you claim under either method.

Examples of Medical and Dental Payments You May Not Deduct

- The basic cost of Medicare insurance (Medicare A).
- Note:** If you were 65 or older but not entitled to social security benefits, you may deduct premiums you voluntarily paid for Medicare A coverage.
- Cosmetic surgery unless the procedure was necessary to improve a deformity resulting from, or directly related to, a congenital abnormality, an injury from an accident or trauma, or a disfiguring disease.
- Life insurance or income protection policies.
- The Medicare tax on your wages and tips or the Medicare tax paid as part of the self-employment tax.
- Nursing care for a healthy baby. You may be able to claim the child and dependent care credit; get **Form 2441** for details.
- Illegal operations or drugs.
- Nonprescription medicines or drugs.
- Travel your doctor told you to take for rest or a change.
- Funeral, burial, or cremation costs.

Line 1

Medical and Dental Expenses

Enter the total of your medical and dental expenses, after you reduce these expenses by any payments received from insurance or other sources. See **Reimbursements** on this page. Include the amount you paid for insurance premiums for medical and dental care, after you reduce that amount by—

- Any self-employed health insurance deduction you claimed on Form 1040, line 26, and
- Any health insurance credit you claimed on Schedule EIC, line 16.

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

- Yourself.
- Your spouse.
- All dependents you claim on your return.
- Your child whom you do not claim as a dependent because of the rules explained on page 12 for **Children of Divorced or Separated Parents**.
- Any person that you could have claimed as a dependent on your return if that person had not received \$2,300 or more of gross income or had not filed a joint return.

Example. You provided over half of your mother's support but may not claim her as a dependent because she received wages of \$2,300 in 1992. You may include on line 1 any medical and dental expenses you paid in 1992 for your mother.

Reimbursements. If your insurance company paid the provider directly for part of your expenses, and you paid only the amount that remained, include on line 1 **ONLY** the amount you paid.

If you received a reimbursement in 1992 for prior year medical or dental expenses, do not reduce your 1992 expenses by this amount. But if you deducted the expenses in the earlier year and the deduction reduced your tax, you must include the reimbursement in income on Form 1040, line 22. See Pub. 502 for details on how to figure the amount to include in income.

Cafeteria Plans. Do not include on line 1 insurance premiums paid by an employer-sponsored health insurance plan (cafeteria plan) unless the premiums are included in box 10 of your W-2 form(s).

Taxes You Paid

Taxes You May Not Deduct

- Federal income and excise taxes.
- Social security, Medicare, and railroad retirement (RRTA) taxes.
- Customs duties.
- Federal estate and gift taxes. But see the instructions for line 25 on page A-5.
- Certain state and local taxes, including: general sales tax, tax on gasoline, car inspection fees, assessments for sidewalks or other improvements to your property, tax you paid for someone else, and license fees (marriage, driver's, dog, etc.).

Line 5

State and Local Income Taxes

Include on this line the state and local income taxes listed below:

- State and local income taxes withheld from your salary during 1992. Your W-2 form(s) will show these amounts.

- State and local income taxes paid in 1992 for a prior year, such as taxes paid with your 1991 state or local income tax return. **Do not** include penalties or interest.

- State and local estimated tax payments made during 1992, including any part of a prior year refund that you chose to have credited to your 1992 state or local income taxes.

- Mandatory contributions you made to the following state disability funds:

1. California Nonoccupational Disability Benefit Fund.
2. New Jersey Nonoccupational Disability Benefit Fund.
3. New York Nonoccupational Disability Benefit Fund.
4. Rhode Island Temporary Disability Benefit Fund.

Do not reduce your deduction by:

- Any state or local income tax refund or credit you expect to receive for 1992, or
- Any refund of, or credit for, prior year state and local income taxes you actually received in 1992. Instead, see the instructions for Form 1040, line 10.

Line 6

Real Estate Taxes

Include taxes you paid on real estate you own that was not used for business, but only if they are based on the assessed value of the property, the assessment is made uniformly on property throughout the community, and the proceeds are used for general community or governmental purposes. **Pub. 530** explains the deductions homeowners may take. **Do not** include—

- Real estate taxes deducted elsewhere such as on Schedule C, C-EZ, E, or F of Form 1040, or

- Itemized charges for services to specific property or persons (for example, a \$20 monthly charge per house for trash collection, a \$5 charge for every 1,000 gallons of water consumed, or a flat charge for mowing a lawn that had grown higher than permitted under a local ordinance), or

- Charges for improvements that tend to increase the value of your property (for example, an assessment to build a new sidewalk). The cost of a property improvement is added to the basis of the property. However, a charge is deductible if it is used only to maintain an existing public facility in service (for example, a charge to repair an existing sidewalk, and any interest included in that charge).

If your mortgage payments include your real estate taxes, you may deduct only the amount the mortgage company actually paid to the taxing authority in 1992.

Refunds and Rebates. If you received a refund or rebate in 1992 of real estate taxes you paid in 1992, reduce your deduction by the amount of the refund or rebate. If you received a refund or rebate in 1992 of real estate taxes you paid in an earlier year, do not reduce your deduction by this amount. Instead, you must include the refund or rebate in income on Form 1040, line 22, if you deducted the real estate taxes in the earlier year and the deduction reduced your tax. **Pub. 525**, Taxable and Nontaxable Income, tells you how to figure the amount to include in income.

Line 7

Other Taxes

If you had any deductible tax not listed on Schedule A, line 5 or 6, list the type and amount of tax. Enter one total on line 7.

Examples of taxes to include on line 7 are:

- Personal property tax, but only if it is an annual tax based on value alone. For example, if part of the fee you paid for the registration of your car was based on the car's value and part was based on its weight, you may deduct only the part based on the car's value.

- Tax you paid to a foreign country or U.S. possession. But you may want to take a credit for the tax instead of a deduction. Get **Pub. 514** for details.

Interest You Paid

Include interest you paid on nonbusiness items only; **do not** include any amount deducted elsewhere such as on Schedule C, C-EZ, E, or F of Form 1040. Whether your interest expense is treated as investment interest, personal interest, or business interest depends on how and when you used the loan proceeds. Get **Pub. 535**, Business Expenses, for details.

In general, if you paid interest in 1992 that includes amounts that apply to any period after 1992, you may deduct only the amount that applies for 1992.

Interest You May Not Deduct

- Personal interest, such as interest paid on car loans, student loans, life insurance loans, credit cards, charge accounts, etc.

- Interest paid on your debts by others, such as mortgage interest subsidy payments made by a government agency.

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

- Interest paid for tax-exempt income. This includes interest on money you borrowed to buy or carry wholly tax-exempt securities. It also includes interest paid to buy or carry obligations or shares, or to make deposits or other investments, to the extent any interest income received from the investment is tax exempt.

- Interest on a debt to buy a single-premium life insurance or endowment contract.

- Interest on any kind of business transaction. Use Schedule C, C-EZ, E, or F to deduct business interest expenses.

See Pub. 535 for more details.

Lines 9a and 9b

Home Mortgage Interest

A **home mortgage** is any loan that is secured by your main home or second home. It includes first and second mortgages, home equity loans, and refinanced mortgages.

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

Limit on Home Mortgage Interest. The amount of home mortgage interest you may deduct depends on the date you took out the mortgage, how you used the proceeds, and the amount of the mortgage.

If all of your home mortgages fit into one or more of **Categories 1, 2, and 3** below, you may deduct all of your home mortgage interest on line 9a or 9b, whichever applies. If one or more of your mortgages does not fit into any of the three categories below, get **Pub. 936**, Home Mortgage Interest Deduction, to figure the amount of interest you may deduct.

If you had **more than one home** at the same time (a main home and a second home), the dollar limits in **Categories 2 and 3** below apply to the total mortgages on both homes. See Pub. 936 for more details.

Category 1. Mortgages taken out **on or before October 13, 1987**. How you used the proceeds of these mortgages does not matter. This category includes **line-of-credit mortgages** you had on October 13, 1987. But if you borrowed additional amounts on this line-of-credit after October 13, 1987, the additional amounts fit into **Category 2 or 3** (or **2 and 3** if a **mixed-use mortgage**—explained later).

This category also includes mortgages you had on October 13, 1987, that you **refinanced** after that date. But if you refinanced for more than the balance of the old mortgage, only the part of the new mortgage equal to the amount you owed on the old mortgage at the time you refinanced it fits into this category. The part of the new mortgage that is more than the balance of the old mortgage fits into **Category 2 or 3** (or **2 and 3** if a **mixed-use mortgage**—explained later).

Category 2. Mortgages taken out **after October 13, 1987, to buy, build, or improve your home**, but only if these mortgages plus any mortgages in **Category 1** above totaled \$1 million or less throughout 1992. The limit is \$500,000 or less if married filing separately.

Category 3. Mortgages taken out **after October 13, 1987, other than to buy, build, or improve your home**, but only if these mortgages totaled \$100,000 or less throughout 1992. The limit is \$50,000 or less if married filing separately. An example of this type of mortgage is a home equity loan you used to pay off credit card bills, to buy a car, or to pay tuition costs.

Note: If the total amount of all mortgages exceeds the fair market value of the home,

additional limits apply. See Pub. 936 for details.

Mixed-Use Mortgages. If you took out a mortgage after October 13, 1987 (including refinancing for more than what you owed or borrowing additional amounts on a line-of-credit mortgage you had on October 13, 1987) and used the proceeds for purposes described in both **Categories 2 and 3** above, you have a mixed-use mortgage. The mortgage proceeds used to buy, build, or improve the home fit into **Category 2** and the rest of the proceeds fit into **Category 3**.

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

If you paid \$600 or more of mortgage interest (including points paid to buy your main home), the recipient will generally send you a Form 1098, or similar statement, by February 1, 1993. This form shows the total interest and points the recipient received from you during 1992.

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

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

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

Caution: Pending legislation would require you to report on line 9b the recipient's social security no. (SSN) or employer identification no., in addition to the name and address, if you acquired your home from that person. It would also require you to let that person know your SSN. To find out if this legislation was enacted, get **Pub. 553**, *Highlights of 1992 Tax Changes*.

If you and at least one other person (other than your spouse if filing a joint return) were liable for and paid interest on the mortgage, and the other person received the Form 1098, attach a statement to your return showing the name and address of that person. Next to line 9b, write "See attached."

Line 10

Points Not Reported on Form 1098

Generally, points charged **only** for the use of money are deductible over the life of your mortgage.

Exception. You may deduct points (including loan origination fees on a loan used to buy your main home) in the year paid if:

- The loan was used to **buy or improve your main home**, and
- The loan was secured by your main home, and
- It is customary to charge points in the area where the loan was made, and
- The points paid did not exceed the points usually charged in that area, and

• The points are computed as a percentage of the amount of the loan, and **either** you provided funds (see below) at the time of closing at least equal to the points charged if the loan was used to **buy** your main home, **or** you paid the points with funds other than those obtained from the lender if the loan was used to **improve** your main home.

Funds provided by you include down payments, escrow deposits, earnest money applied at closing, and other amounts actually paid at closing. They do not include amounts you borrowed as part of the overall transaction.

Note: Points paid on a loan to buy your main home include loan origination fees designated on VA and FHA loans.

Refinancing. If you paid points to refinance your mortgage, get **Pub. 936**, Home Mortgage Interest Deduction.

Line 11

Investment Interest

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

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

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

1. Your only investment income was from interest, dividends, or capital gain distributions reported on Form 1040, line 14.
2. You have no other deductible expenses connected with the production of the interest, dividends, or capital gain distributions.
3. Your investment interest expense is not more than your investment income.
4. You have no carryovers of investment interest expense from 1991.

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

Gifts to Charity

You may deduct contributions or gifts you gave to organizations that are religious, charitable, educational, scientific, or literary in purpose. You may also deduct what you gave to organizations that work to prevent cruelty to children or animals. Examples of these organizations are:

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

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

Caution: If you contributed to a charitable organization and also received a benefit from it, you may deduct only the amount that is more than the value of the benefit you received. For more details, get **Pub. 526**, *Charitable Contributions*.

Contributions You May Deduct

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

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

- Your cash contributions or contributions of ordinary income property are more than 30% of the amount shown on Form 1040, line 32,
- Your gifts of capital gain property are more than 20% of the amount shown on Form 1040, line 32, or
- You gave gifts of property that increased in value or gave gifts of the use of property.

You May Not Deduct as Contributions

- Travel expenses (including meals and lodging) while away from home unless there was no significant element of personal pleasure, recreation, or vacation in the travel.
- Political contributions.
- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.
- Value of any benefit, such as food, entertainment, or merchandise, that you received in connection with a contribution to a charitable organization.

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

- Cost of raffle, bingo, or lottery tickets.
- Cost of tuition.
- Value of your time or services.
- Value of blood given to a blood bank.
- The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).
- Gifts to individuals, foreign organizations, and groups that are run for personal profit.
- Gifts to groups whose purpose is to lobby for changes in the laws.
- Gifts to civic leagues, social and sports clubs, labor unions, and chambers of commerce.

Line 13

Contributions by Cash or Check

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

Line 14

Other Than by Cash or Check

Enter your contributions of property. If you gave used items, such as clothing or furniture, deduct their fair market value at the time you gave them. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale.

If the amount of your deduction is more than \$500, you must complete and attach **Form 8283**, Noncash Charitable Contributions. For this purpose, the "amount of your deduction" means your deduction BEFORE applying any income limits that could result in a carryover of contributions. If your total deduction is over \$5,000, you may also have to get appraisals of the values of the donated property. See Form 8283 and its instructions for details.

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

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

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

Line 15

Carryover From Prior Year

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

Casualty and Theft Losses

Line 17

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

Losses You May Deduct

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

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

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

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

Additional Information. For more details, get **Pub. 547**, Nonbusiness Disasters, Casualties, and Thefts. It also has information about Federal disaster area losses.

Losses You May Not Deduct

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

Use line 20 of Schedule A to deduct the costs of proving that you had a property loss. Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.

Moving Expenses

Line 18

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

You can take this deduction if you moved in connection with your job or business and your new workplace is at least 35 miles farther from your old home than your old home was from your old workplace. If you had no former workplace, your new workplace must be at least 35 miles from your old home. If you meet these requirements, see Tele-Tax (topic no. 304) on page 28 or get **Pub. 521**, Moving Expenses. Complete and attach **Form 3903**, Moving Expenses, to figure the amount of moving expenses to enter on line 18. If you began work at a new workplace outside the United States or its possessions, get **Form 3903F**, Foreign Moving Expenses.

Miscellaneous Deductions

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

The 2% limit generally applies to job expenses you paid for which you were not reimbursed. These expenses are reported on line 19. The limit also applies to certain expenses you paid to produce or collect taxable income. These expenses are reported on line 20.

Miscellaneous deductions that are not subject to the 2% limit are reported on line 25. See the instructions for line 25.

Additional Information. For more details, get **Pub. 529**, Miscellaneous Deductions.

Examples of Expenses You May Not Deduct

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

Line 19

Unreimbursed Employee Expenses

Enter the total job expenses you paid for which you were not reimbursed. But you **MUST** fill in and attach **Form 2106**, Employee Business Expenses, if **either** of the following applies:

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

If either **1** or **2** above applies to you, fill in Form 2106 for **all** your job expenses. Then, enter on line 19 the amount from Form 2106, line 11.

If you don't have to fill in Form 2106, list the type and amount of each expense on the dotted lines next to line 19. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 19.

Examples of expenses to include on line 19 are:

- Travel, transportation, meal, or entertainment expenses. **Note:** If you have any of

these expenses, you must use Form 2106 for all of your job expenses.

- Union dues.
- Safety equipment, small tools, and supplies you needed for your job.
- Uniforms your employer said you must have, and which you may not usually wear away from work.
- Protective clothing required in your work, such as hard hats, safety shoes, and glasses.
- Physical examinations your employer said you must have.
- Dues to professional organizations and chambers of commerce.
- Subscriptions to professional journals.
- Fees to employment agencies and other costs to look for a new job in your present occupation, even if you do not get a new job.
- Business use of part of your home but only if you use that part exclusively and on a regular basis in your work and for the convenience of your employer. For details, including limits that apply, see Tele-Tax (topic no. 309) on page 28 or get **Pub. 587**, Business Use of Your Home.
- Educational expenses you paid that were required by your employer, or by law or regulation, to keep your salary or job. In general, you may also include the cost of keeping or improving skills you must have in your job. For more details, see Tele-Tax (topic no. 313) on page 28 or get **Pub. 508**, Educational Expenses. Some educational expenses are not deductible. See **Examples of Expenses You May Not Deduct** on this page.

Line 20

Other Expenses

Enter the total amount you paid to produce or collect taxable income, manage or protect property held for earning income, and for tax preparation fees. But **do not** include any expenses deducted elsewhere such as on Schedule C, C-EZ, E, or F. List the type and amount of each expense on the dotted lines next to line 20. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 20.

Examples of expenses to include on line 20 are:

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

Line 25

Other Miscellaneous Deductions

Enter your total miscellaneous deductions that are not subject to the 2% AGI limit. List

the type and amount of each expense on the dotted lines next to line 25. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 25. Only the expenses listed below can be deducted on line 25:

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

- Impairment-related work expenses of a disabled person.

For more details on these expenses, see Pub. 529.

Total Itemized Deductions

Line 26

People with higher incomes may not be able to deduct all of their itemized deductions. If the amount on Form 1040, line 32, is more than \$105,250 (more than \$52,625 if married filing separately), use the worksheet on this page to figure the amount you may deduct.

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

1. Add the amounts on Schedule A, lines 4, 8, 12, 16, 17, 18, 24, and 25	1. _____
2. Add the amounts on Schedule A, lines 4, 11, and 17, plus any gambling losses included on line 25	2. _____
Caution: Be sure your total gambling losses are clearly identified on the dotted line next to line 25.	
3. Subtract line 2 from line 1. If the result is zero, stop here ; enter the amount from line 1 above on Schedule A, line 26	3. _____
4. Multiply line 3 above by 80% (.80)	4. _____
5. Enter the amount from Form 1040, line 32	5. _____
6. Enter \$105,250 (\$52,625 if married filing separately)	6. _____
7. Subtract line 6 from line 5. If the result is zero or less, stop here ; enter the amount from line 1 above on Schedule A, line 26	7. _____
8. Multiply line 7 above by 3% (.03)	8. _____
9. Enter the smaller of line 4 or line 8	9. _____
10. Total itemized deductions. Subtract line 9 from line 1. Enter the result here and on Schedule A, line 26	10. _____

Instructions for Schedule B, Interest and Dividend Income

Use Schedule B if **any** of the following applies:

- You had over \$400 in taxable interest,
- Any of the **Special Rules** listed below apply to you,
- You are claiming the exclusion of interest from series EE U.S. savings bonds issued after 1989,
- You had over \$400 in dividends,
- You received dividends as a nominee, or
- You had a foreign account or were a grantor of, or transferor to, a foreign trust. Part III of the schedule has questions about foreign accounts and trusts.

Note: If you need more space to list your interest or dividend income on line 1 or line 5, attach separate sheets. Use the same format as lines 1 and 5, and show your totals on Schedule B. Please use sheets that are about the same size as the printed schedule. Be sure to put your name and social security number on the sheets and attach them at the end of your return.

Part I. Interest Income

To see what interest income you must report, read the instructions for Form 1040, line 8a, on page 14. The payer should send you a **Form 1099-INT** or **Form 1099-OID**, if applicable, showing interest you must report. A copy of the form is also sent to the IRS.

Line 1

Interest Income

Report on line 1 **all** taxable interest you received or that was credited to your account so you could withdraw it. List each payer's name and show the amount. If you received 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.

Seller-Financed Mortgages. If you sold your home or other property and the buyer paid you interest on a mortgage or other form of seller financing, list this interest first. Be sure to show the buyer's name.

Caution: Pending legislation would require you to report the buyer's address and social security no. (SSN) if the buyer used the property as a personal residence. It would also require you to let that buyer know your SSN. To find out if this legislation was enacted, get **Pub. 553, Highlights of 1992 Tax Changes.**

Special Rules

Nominees. If you received a Form 1099-INT that includes interest you received as a nominee (that is, in your name, but the interest actually belongs to someone else), report the total on line 1. Do this even if you later distributed some or all of this income to others. Under your last entry on line 1, put a subtotal of all interest listed on line 1. Below this subtotal, write "Nominee Distribution" and show the total interest you received as a nominee. Subtract this amount from the subtotal and enter the result on line 2.

Note: If you received interest as a nominee, you must give the actual owner a **Form**

1099-INT unless the owner is your spouse. You must also file a Form 1099-INT with the IRS. Form 1096 must also be sent with Form 1099-INT. For more details, see the **Instructions for Forms 1099, 1098, 5498, and W-2G.**

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

Tax-Exempt Interest. You should not have received a **Form 1099-INT** for tax-exempt interest. But if you did, report it on line 1. Do not include it in the total on line 2. Instead, under your last entry on line 1, put a subtotal of all interest listed on line 1. Below this subtotal, write "Tax-Exempt Interest" and show the amount. Subtract this amount from the subtotal and enter the result on line 2. Be sure to also include this tax-exempt interest on Form 1040, line 8b.

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

Amortizable Bond Premium. If you are reducing your interest income on a bond by the amount of amortizable bond premium, report the total interest on the bond on line 1. Under your last entry on line 1, put a subtotal of all interest listed on line 1. Below this subtotal, write "ABP Adjustment" and show the amount. Subtract this amount from the subtotal and enter the result on line 2.

Line 3

Excludable Interest on Series EE U.S. Savings Bonds Issued After 1989

If you cashed series EE U.S. savings bonds in 1992 that were issued after 1989 and you meet **all four** of the following conditions, you may be able to exclude part or all of the interest on those bonds.

1. The bonds were issued in your name or, if married, in your name and your spouse's name.
2. You were age 24 or older before the bonds were issued.

3. You paid qualified higher education expenses in 1992 for yourself, your spouse, or your dependents.

4. Your filing status is Single, Married filing jointly, Head of household, or Qualifying widow(er) with dependent child.

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

Caution: Only series EE savings bonds issued after 1989 qualify for the exclusion. Bond information will be verified with Department of the Treasury records.

Part II. Dividend Income

To see what dividend income you must report, read the instructions for Form 1040, line 9, on page 15.

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

Line 5

Dividend Income

Report on line 5 **all** of your dividend income. Include capital gain and nontaxable distributions. They will be deducted on lines 7 and 8. Include cash and the value of stock, property, or merchandise you received as a dividend. If you owned shares in a mutual fund, get **Pub. 564**, Mutual Fund Distributions.

List each payer's name and show the amount of income. If you received a **Form 1099-DIV** or substitute statement from a brokerage firm (securities are held by the brokerage firm in "street name"), list the firm's name as the payer and enter the total dividends shown on that form.

Nominees. If you received a Form 1099-DIV that includes dividends you received as a nominee (that is, in your name, but the dividends actually belong to someone else), report the total on line 5. Do this even if you later distributed some or all of this income to others. Under your last entry on line 5, put a subtotal of all dividends listed on line 5. Below this subtotal, write "Nominee Distribution" and show the total dividends you received as a nominee. Subtract this amount from the subtotal and enter the result on line 6.

Note: If you received dividends as a nominee, you must give the actual owner a **Form 1099-DIV** unless the owner is your spouse. You must also file a **Form 1099-DIV** with the IRS. **Form 1096** must also be sent with **Form 1099-DIV**. For more details, see the **Instructions for Forms 1099, 1098, 5498, and W-2G**.

Line 7

Capital Gain Distributions

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

Line 8

Nontaxable Distributions

Report nontaxable distributions on line 8. These distributions reduce your basis. For details, see the instructions for Form 1040, line 9, on page 15.

Part III. Foreign Accounts and Foreign Trusts

Lines 11a and 11b

Foreign Accounts

Line 11a. Check the **Yes** box on line 11a if either **1** or **2** below applies to you.

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

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

- The combined value of the accounts was \$10,000 or less during the whole year.
- The accounts were with a U.S. military banking facility operated by a U.S. financial institution.
- You were an officer or employee of a commercial bank that is supervised by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation; the account was in your employer's name; **and** you did not have a personal financial interest in the account.
- You were an officer or employee of a domestic corporation with securities listed on national securities exchanges or with assets of more than \$1 million and 500 or more shareholders of record; the account was in your employer's name; you did not have a personal financial interest in the account; and the corporation's chief financial officer has given you written notice that the corporation has filed a current report that includes the account.

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

Get **Form TD F 90-22.1** to see if you are considered to have an interest in or signature

or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account). You can get the form by writing to the IRS Distribution Center for your state. See page 31 for the address.

If you checked the **Yes** box on line 11a, file Form TD F 90-22.1 by June 30, 1993, with the **Department of the Treasury** at the address shown on that form. **Do not** attach Form TD F 90-22.1 to Form 1040.

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

Instructions for Schedule C, Profit or Loss From Business

Use Schedule C (or Schedule C-EZ) if you operated a business or practiced a profession as a sole proprietorship. If you had more than one business, or if you and your spouse had separate businesses, you must complete a separate Schedule C for each business. **Do not** report gambling winnings on Schedule C or C-EZ unless you were a professional gambler. Instead, see the instructions for Form 1040, line 22.

This activity may subject you to state and local taxes and other requirements such as business licenses and fees. Check with your state and local governments for more information.

Additional Information. Get **Pub. 334, Tax Guide for Small Business**, for more details on business income and expenses.

General Instructions

Changes To Note

- Small businesses with gross receipts of \$25,000 or less and expenses of \$2,000 or less may be able to file new **Schedule C-EZ, Net Profit From Business**. See Schedule C-EZ to find out if you qualify to file it.
- The standard mileage rate is 28 cents for each mile of business use in 1992. See the instructions for line 10 on page C-3.

Other Schedules and Forms You May Have To File

Schedule A to deduct interest, taxes, and casualty losses not related to your business.

Schedule E to report rental real estate and royalty income or (loss) that is **not** subject to self-employment tax.

Schedule F to report profit or (loss) from farming.

Schedule SE to pay self-employment tax on income from any trade or business.

Form 4562 to claim depreciation on assets placed in service in 1992, to claim amortization that began in 1992, or to report information on listed property.

Form 4684 to report a casualty or theft gain or loss involving property used in your trade or business or income-producing property.

Form 4797 to report sales, exchanges, and involuntary conversions (other than from a casualty or theft) of trade or business property.

Form 8594 to report certain purchases or sales of groups of assets that constitute a trade or business.

Form 8824 to report like-kind exchanges.

Form 8829 to claim expenses for business use of your home.

Heavy Vehicle Use Tax

If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a Federal highway motor vehicle use tax. Get **Form 2290, Heavy Vehicle Use Tax Return**, to see if you owe this tax.

Information Returns

You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, real estate transactions, annuities, and pensions. You may also have to file an information return if

you sold \$5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other similar basis for resale. For more information, get the **Instructions for Forms 1099, 1098, 5498, and W-2G**.

If you received cash of more than \$10,000 in one or more related transactions in the course of your trade or business, you may have to file **Form 8300**. For details, get **Pub. 1544, Reporting Cash Payments of Over \$10,000**.

Tax Shelter

If you claim or report any deduction, loss, credit, other tax benefit, or income on Schedule C or C-EZ from an interest purchased or otherwise acquired in a tax shelter that is required to be registered, you **must** file **Form 8271** with your return.

Specific Instructions

Filers of Form 1041

Do not complete the block labeled "Social security number." Instead, enter your employer identification number (EIN) on line D.

Line A

Describe the business or professional activity that provided your principal source of income reported on line 1. Give the general field or activity and the type of product or service. If your general field or activity is wholesale or retail trade, or services connected with production services (mining, construction, or manufacturing), also give the type of customer or client. For example, "wholesale sale of hardware to retailers" or "appraisal of real estate for lending institutions."

Line B

Enter on this line the four-digit code that identifies your principal business or professional activity. See page 2 of Schedule C or C-EZ for the list of codes.

Line D

You need an employer identification number (EIN) only if you had a Keogh plan or were required to file an employment, excise, fiduciary, or alcohol, tobacco, and firearms tax return. If you need an EIN, file **Form SS-4, Application for Employer Identification Number**.

If you do not have an EIN, leave line D blank. **Do not** enter your SSN.

Line E

Enter your business address. Show a street address instead of a box number. Include the suite or room number, if any. Use your home address only if you actually conducted the business from your home.

Line F

You must use the cash method on your return unless you kept account books. If you kept such books, you can use the cash method or the accrual method. However, if inventories are required, you must use the accrual method for sales and purchases. Special rules apply to long-term contracts. See Internal Revenue Code section 460 for details. The method used must clearly reflect your income.

If you use the **cash method**, show all items of taxable income actually or constructively received during the year (in cash, property, or services). Also, show amounts actually paid during the year for deductible expenses. Income is constructively received when it is credited to your account or set aside for you to use.

If you use the **accrual method**, report income when you earn it and deduct expenses when you incur them even if you do not pay them during the tax year.

Accrual-basis taxpayers are put on a cash basis for deducting business expenses owed to a related cash-basis taxpayer. Other rules determine the timing of deductions based on economic performance. Get **Pub. 538, Accounting Periods and Methods**.

To change your accounting method (including treatment of inventories), you must usually first get permission from the IRS. In general, file **Form 3115** within the first 180 days of the tax year in which you want to make the change.

Line G

Your inventories can be valued at:

- Cost,
- Cost or market value, whichever is lower, or
- Any other method approved by the IRS.

Line 1

Participation, for purposes of the seven material participation tests listed below, generally includes any work you did in connection with an activity if you owned an interest in the activity at the time you did the work. The capacity in which you did the work does not matter. However, work is not treated as participation if it is work that an owner would not customarily do in the same type of activity and one of your main reasons for doing the work was to avoid the disallowance of losses or credits from the activity under the passive activity rules.

Work you did as an investor in an activity is not treated as participation unless you were directly involved in the day-to-day management or operations of the activity. Work done as an investor includes:

1. Studying and reviewing financial statements or reports on operations of the activity.
2. Preparing or compiling summaries or analyses of the finances or operations of the activity for your own use.
3. Monitoring the finances or operations of the activity in a nonmanagerial capacity.

Participation by your spouse during the tax year in an activity you own can be counted as your participation in the activity. This applies even if your spouse did not own an interest in the activity and whether or not you and your spouse file a joint return for the tax year.

Material Participation. For purposes of the passive activity rules, you materially participated in the operation of this trade or business activity during 1992 if you meet any of the following seven tests:

1. You participated in the activity for more than 500 hours during the tax year.
2. Your participation in the activity for the tax year was substantially all of the participation in the activity of all individuals (including individuals who did not own any interest in the activity) for the tax year.
3. You participated in the activity for more than 100 hours during the tax year, and you participated at least as much as any other person for the tax year. This includes individuals who did not own any interest in the activity.
4. The activity is a significant participation activity for the tax year, and you participated in all significant participation activities for more than 500 hours during the year. An activity is a "significant participation activity" if it involves the conduct of a trade or business, you participated in the activity for more than 100 hours during the tax year, and you did not materially participate under any of the material participation tests (other than this test 4).
5. You materially participated in the activity for any 5 of the prior 10 tax years.
6. The activity is a personal service activity in which you materially participated for any 3 prior tax years. A personal service activity is an activity that involves performing personal services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, or consulting, or any other trade or business in which capital is not a material income-producing factor.

C-2

7. Based on all the facts and circumstances, you participated in the activity on a regular, continuous, and substantial basis during the tax year. But you do not meet this test if you participated in the activity for 100 hours or less during the tax year. Your participation in managing the activity does not count in determining if you meet this test if any person (except you) —

a. Received compensation for performing management services in connection with the activity, or

b. Spent more hours during the tax year than you spent performing management services in connection with the activity (regardless of whether the person was compensated for the services).

If you meet any of the above tests, check the "Yes" box on line 1.

If you **do not** meet any of the above tests, check the "No" box on line 1. This business is a **passive activity**. If you have a loss from this business, see **Limit on Losses** below. If you have a profit from this business activity but have current-year losses from other passive activities or you have prior-year unallowed passive activity losses, see the instructions for **Form 8582**, Passive Activity Loss Limitations.

Exception for Oil and Gas. If you are filing Schedule C to report income and deductions from an oil or gas well in which you own a working interest directly or through an entity that does not limit your liability, check the "Yes" box on line 1. The activity of owning the working interest is not a passive activity regardless of your participation in the activity.

Limit on Losses. If you checked the "No" box on line 1 and you have a loss from this business, you may have to use Form 8582 to figure your allowable loss, if any, to enter on Schedule C, line 31. Generally, you can deduct losses from passive activities only to the extent of income from passive activities.

For more details, get **Pub. 925**, Passive Activity and At-Risk Rules.

Line L

If this is the first Schedule C you are filing for this business, check the box on line L.

Also, check the box if you are reopening or restarting this business after temporarily closing it, and you did not file a 1991 Schedule C for this business.

Part I. Income

Line 1

Enter gross receipts or sales from your business. Be sure to include on this line amounts you received in your trade or business as shown on **Form(s) 1099-MISC**.

Statutory Employees. If you received a Form W-2 and the "Statutory employee" box in box 6 of that form was checked, report your income and expenses related to that income on Schedule C or C-EZ. Enter your statutory employee income from box 10 of Form W-2 on line 1 of Schedule C or C-EZ, and **check the box** on that line. Social security and Medicare tax should have been withheld from your earnings; therefore, you

do not have to pay self-employment tax on these earnings.

Statutory employees include full-time life insurance salespeople, certain agent or commission drivers and traveling salespeople, and certain homeworkers.

If you had both self-employment income and statutory employee income, **do not** combine these amounts on a single Schedule C or C-EZ. In this case, you must file two Schedules C.

Installment Sales. Generally, the installment method may not be used to report income from the sale of (a) personal property regularly sold under the installment method, or (b) real property held for resale to customers. But the installment method may be used to report income from sales of certain residential lots and timeshares if you elect to pay interest on the tax due on that income after the year of sale. See Internal Revenue Code section 453(l)(2)(B) for details. If you make this election, include the interest on Form 1040, line 53. Also write "453(l)(3)" and the amount of the interest on the dotted line to the left of line 53.

If you use the installment method, attach a schedule to your return. Show separately for 1992 and the 3 preceding years: gross sales, cost of goods sold, gross profit, percentage of gross profit to gross sales, amounts collected, and gross profit on amounts collected.

Line 2

Enter on line 2 such items as returned sales, rebates, and allowances from the sales price.

Line 6

Report on line 6 amounts from finance reserve income, scrap sales, bad debts you recovered, interest (such as on notes and accounts receivable), state gasoline or fuel tax refunds you got in 1992, credit for Federal tax paid on gasoline or other fuels claimed on your 1991 Form 1040, and other kinds of miscellaneous business income. Include amounts you received in your trade or business as shown on **Form(s) 1099-PATR**.

If the business use percentage of any listed property (defined on page C-3) decreased to 50% or less in 1992, report on this line any recapture of excess depreciation, including any section 179 expense deduction. Use **Form 4797**, Sales of Business Property, to figure the recapture.

Part II. Expenses

Capitalizing Costs of Property. If you produced real or tangible personal property or acquired property for resale, certain expenses attributable to the property must be included in inventory costs or capitalized. In addition to direct costs, producers of inventory property must also include part of certain indirect costs in their inventory. Purchasers of personal property acquired for resale must include part of certain indirect costs in inventory only if the average annual gross receipts for the 3 prior tax years exceed \$10 million. Also, you must capitalize part of the indirect costs that benefit real or tangible personal property constructed for

use in a trade or business, or noninventory property produced for sale to customers. Reduce the amounts on lines 8–27b by amounts capitalized. For more details, see **Pub. 538**.

Exception for Creative Property. If you are an artist, author, or photographer, you may be exempt from the capitalization rules. However, your personal efforts must have created (or reasonably be expected to create) the property. This exception does not apply to any expense related to printing, photographic plates, motion picture films, video tapes, or similar items. These expenses are subject to the capitalization rules. For more details, see **Pub. 538**.

Line 9

Caution: *Cash method taxpayers cannot take a bad debt deduction unless the amount was previously included in income.*

Include debts and partial debts from sales or services that were included in income and are definitely known to be worthless. If you later collect a debt that you deducted as a bad debt, include it as income in the year collected.

For more details, get **Pub. 535**, Business Expenses.

Line 10

You can deduct the actual cost of running your car or truck, or take the standard mileage rate. You **must** use actual costs if you did not own the vehicle or if you used more than one vehicle simultaneously in your business (such as in fleet operations).

If you deduct actual costs, include on line 10 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc. Show depreciation on line 13 and rent or lease payments on line 20a.

If you want to take the standard mileage rate, multiply the number of business miles by 28 cents a mile. Add to this amount your parking fees and tolls, and enter the total on line 10.

If you claim any car or truck expenses (actual or the standard mileage rate), you must provide the information requested in Part V of **Form 4562**, Depreciation and Amortization, and attach Form 4562 to your return. Schedule C-EZ filers must complete Part III of Schedule C-EZ, instead of Form 4562.

For more details, get **Pub. 917**, Business Use of a Car.

Line 12

Enter your deduction for depletion on this line. If you have timber depletion, attach **Form T**. See **Pub. 535** for details.

Line 13

Depreciation and Section 179 Expense Deduction. Depreciation is the annual deduction allowed to recover the cost or other basis of business or investment property with a useful life of more than 1 year. However, stock in trade, inventories, and land are not depreciable.

Depreciation starts when you first use the property in your business or for the produc-

tion of income. It ends when you take the property out of service, deduct all your depreciable cost or other basis, or no longer use the property in your business or for the production of income.

For property placed in service after 1980, see the Instructions for Form 4562 to figure the amount of depreciation to enter on line 13. For property placed in service before 1981, figure depreciation from your own books and records and enter the total on line 13.

You may also choose under Internal Revenue Code section 179 to expense part of the cost of certain property you bought in 1992 for use in your business. See the Instructions for Form 4562 for more information.

You must complete and attach Form 4562 **only** if:

- You are claiming depreciation on property placed in service during 1992, or
- You are claiming depreciation on listed property (defined below), regardless of the date it was placed in service, or
- You are claiming a section 179 expense deduction.

Do not file Form 4562 to report information on the use of vehicles for which the standard mileage rate or actual expenses (other than depreciation) are being claimed on Schedule C-EZ. Instead, use Part III of Schedule C-EZ for this purpose.

If you acquired depreciable property for the first time in 1992, get **Pub. 946**, How To Begin Depreciating Your Property. For a more comprehensive guide on depreciation, get **Pub. 534**, Depreciation.

Listed property includes, but is not limited to:

- Passenger automobiles weighing 6,000 pounds or less.
- Any other property used for transportation if the nature of the property lends itself to personal use, such as motorcycles, pick-up trucks, etc.
- Any property used for entertainment or recreational purposes (such as photographic, phonographic, communication, and video recording equipment).
- Cellular telephones or other similar telecommunications equipment placed in service after 1989.
- Computers or peripheral equipment.

Listed property does not include photographic, phonographic, communication, or video equipment used exclusively in your trade or business or at your regular business establishment. It also does not include any computer or peripheral equipment used exclusively at a regular business establishment and owned or leased by the person operating the establishment.

If the business use percentage of any listed property decreased to 50% or less in 1992, you may have to recapture excess depreciation, including any section 179 expense deduction. Get **Form 4797** and its instructions for details.

If you claimed an investment credit on property that you dispose of before the end of the recapture period or useful life used to figure the credit, the business use percentage decreases, or the property use otherwise changes so that it no longer qualifies,

you may have to refigure the credit. See **Form 4255**, Recapture of Investment Credit, for details.

Line 14

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 19. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs.

Do not include on line 14 any contributions you made on your behalf as a self-employed person to an accident and health plan or for group-term life insurance. You may be able to deduct on Form 1040, line 26, part of the amount you paid for health insurance on behalf of yourself, your spouse, and dependents, even if you do not itemize your deductions. See the Form 1040 instructions on page 20 for more details.

Line 15

Deduct premiums paid for business insurance on line 15. Deduct on line 14 amounts paid for employee accident and health insurance.

Do not deduct amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability.

For more details, see **Pub. 535**.

Lines 16a and 16b

Interest Allocation Rules. The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted (or capitalized) on the correct line of your return and gets the right tax treatment. These rules could affect how much interest you are allowed to deduct on Schedule C or C-EZ.

Generally, you allocate interest expense by tracing how the proceeds of the loan were used. See **Pub. 535** for details.

If you paid interest in 1992 that applies to future years, deduct only the part that applies to 1992. If you paid interest on a debt secured by your main home and any of the proceeds from that debt were used in connection with your trade or business, see **Pub. 535** to figure the amount that is deductible on Schedule C or C-EZ.

If you have a mortgage on real property used in your business (other than your main home), enter on line 16a the interest you paid for 1992 to banks or other financial institutions for which you received a **Form 1098**, Mortgage Interest Statement. If you didn't receive a Form 1098, enter the interest on line 16b.

If you paid \$600 or more of mortgage interest, the recipient should send you a Form 1098 or similar statement showing the total interest received from you during 1992. This statement must be sent to you by February 1, 1993. If you paid more mortgage interest to financial institutions than is shown on Form 1098, or similar statement, see **Pub. 535** to find out if you can deduct the additional interest. If you can, enter the amount

on line 16a. Attach a statement to your return explaining the difference. Write "See attached" in the left margin next to line 16a.

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage and the other person received the Form 1098, report your share of the interest on line 16b. Attach a statement to your return showing the name and address of the person who received the Form 1098. In the left margin next to line 16b, write "See attached."

Do not deduct interest you paid or accrued on debts allocable to investment property. This interest is generally deducted on **Schedule A**. For details, get **Pub. 550**, Investment Income and Expenses.

Line 17

Include on this line fees for tax advice related to your business and for preparation of the tax forms related to your business.

Line 19

Enter your deduction for contributions to a pension, profit-sharing, or annuity plan, or plans for the benefit of your employees. If the plan includes you as a self-employed person, enter contributions made as an employer on your behalf on Form 1040, line 27, not on Schedule C.

Generally, you must file one of the following forms if you maintain a pension, profit-sharing, or other funded-deferred compensation plan. The filing requirement is not affected by whether or not the plan qualified under the Internal Revenue Code, or whether or not you claim a deduction for the current tax year.

Form 5500. Complete this form for each plan with 100 or more participants.

Form 5500-C/R or 5500EZ. Complete the applicable form for each plan with fewer than 100 participants.

There is a penalty for failure to timely file these forms.

For more information, get **Pub. 560**, Retirement Plans for the Self-Employed.

Lines 20a and 20b

If you rented or leased vehicles, machinery, or equipment, enter on line 20a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an amount called the **inclusion amount**.

You may have to do this if—

The lease term began:	And the vehicle's fair market value on the first day of the lease exceeded:
During 1992	\$14,000
During 1991	13,400
During 1990	13,100
After 1986 but before 1990	12,800

If the lease term began after June 18, 1984, but before January 1, 1987, see **Pub. 917** to figure out if you have an inclusion amount.

See **Pub. 917** to figure your inclusion amount.

Enter on line 20b amounts paid to rent or lease other property, such as office space in a building.

Line 21

Deduct the cost of repairs and maintenance. Include labor, supplies, and other items that do not add to the value or increase the life of the property. Do not deduct the value of your own labor. Do not deduct amounts spent to restore or replace property; they must be capitalized.

Line 23

You can deduct the following taxes:

- State and local sales taxes imposed on you as the seller of goods or services. If you collected this tax from the buyer, you must also include the amount collected in gross receipts or sales on line 1.
- Real estate and personal property taxes on business assets.
- Social security and Medicare taxes paid to match required withholding from your employees' wages. Also, Federal unemployment tax paid. To deduct one-half of your self-employment tax, see the instructions for Form 1040, line 25, on page 20.
- Federal highway use tax.

Do not deduct:

- Federal income taxes.
- Estate and gift taxes.
- Taxes assessed to pay for improvements, such as paving and sewers.
- Taxes on your home or personal use property.
- State and local sales taxes on property purchased for use in your business. Instead, treat these taxes as part of the cost of the property.
- State and local sales taxes imposed on the buyer that you were required to collect and pay over to the state or local governments. These taxes are not included in gross receipts or sales nor are they a deductible expense. However, if the state or local government allowed you to retain any part of the sales tax you collected, you must include that amount in income on line 6.
- Other taxes not related to your business.

Line 24a

Enter your business travel expenses. Do not include expenses for meals or entertainment.

You cannot deduct expenses for attending a foreign convention unless it is directly related to your trade or business and it is as reasonable for the meeting to be held outside the North American area as within it. These rules apply to both employers and employees. Other rules apply to luxury water travel. For more details, get **Pub. 463**, Travel, Entertainment, and Gift Expenses.

Lines 24b and 24c

On line 24b, enter your total business meal and entertainment expenses. Include meals while traveling away from home for business. Instead of the actual cost of your meals while

traveling away from home, you may use the standard meal allowance. For more details, see **Pub. 463**.

Business meal expenses are deductible only if they are **(a)** directly related to or associated with the active conduct of your trade or business, **(b)** not lavish or extravagant, and **(c)** incurred while you or your employee is present at the meal.

You cannot deduct any expense paid or incurred for a facility (such as a yacht or hunting lodge) used for any activity usually considered entertainment, amusement, or recreation.

There are exceptions to these rules as well as other rules that apply to sky-box rentals and tickets to entertainment events. See **Pub. 463**.

Generally, you may deduct **only** 80% of your business meal and entertainment expenses, including meals incurred while traveling away from home on business. However, you may fully deduct meals and entertainment furnished or reimbursed to an employee if you properly treat the expense as wages subject to withholding. You may also fully deduct meals and entertainment provided to a nonemployee to the extent the expenses are includible in the gross income of that person and reported on Form 1099-MISC.

Figure how much of the amount on line 24b is subject to the 80% limit. Then, multiply that amount by 20% (.20) and enter the result on line 24c.

Line 25

Deduct only utility expenses paid or incurred for your trade or business.

Local Telephone Service. If you used your home phone for business, do not deduct the base rate (including taxes) of the first phone line into your residence. But you can deduct expenses for any additional costs you incurred for business that are more than the cost of the base rate for the first phone line. For example, if you had a second line, you can deduct the business percentage of the charges for that line, including the base rate charges.

Line 26

Enter the total salaries and wages (other than salaries and wages deducted elsewhere on your return) paid or incurred for the tax year minus any jobs credit you claimed on **Form 5884**, Jobs Credit. Do not include amounts paid to yourself.

Caution: If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as wages the amount applicable to depreciation and other expenses claimed elsewhere.

Lines 27a and 27b

Include all ordinary and necessary business expenses not deducted elsewhere on Schedule C. List the type and amount of each expense separately on the dotted lines for line 27a. Enter the total on line 27b. Do not include the cost of business equipment or furniture, replacements or permanent improvements to property, or personal, living,

and family expenses. Do not include charitable contributions.

Include any loss from this activity that was not allowed as a deduction last year because of the at-risk rules. If any loss from this activity was not allowed last year because of the passive loss limitations, see the instructions for Form 8582.

Amortization. Include amortization on line 27a. For amortization that begins in 1992, you must complete and attach **Form 4562**.

You may amortize:

- The cost of pollution-control facilities.
- Amounts paid for research and experimentation.
- Certain business startup costs.
- Qualified forestation and reforestation costs.

In general, you **may not** amortize:

- Real property construction period interest and taxes. Special rules apply for allocating interest to real or personal property produced in your trade or business.
- Amounts paid to acquire, protect, expand, register, or defend trademarks or trade names. Instead, you must capitalize these costs and you can recover them when you dispose of the property.

You may be able to claim a tax credit of up to \$5,000 for eligible expenditures paid or incurred in 1992 to provide access to your business for individuals with disabilities. Get **Form 8826**, Disabled Access Credit, for more details. You can also deduct up to \$15,000 of costs paid or incurred in 1992 to remove architectural or transportation barriers to individuals with disabilities and the elderly. However, you cannot take both the credit and the deduction on the same expenditures.

You can depreciate your leasehold improvement costs for leased business property.

For more details, see Pub. 535.

Capital Construction Fund. Do not claim on Schedule C or C-EZ the deduction for amounts contributed to a capital construction fund set up under the Merchant Marine Act of 1936. To take the deduction, reduce the amount that would otherwise be entered as taxable income on Form 1040, line 37, by the amount of the deduction. In the margin to the left of line 37, write "CCF" and the amount of the deduction. For more information, get **Pub. 595**, Tax Guide for Commercial Fishermen.

Line 30

Business Use of Your Home. You may be able to deduct certain expenses for business use of your home, subject to limitations. Generally, any amount not allowed as a deduction for 1992 because of the limitations can be carried over to 1993. You must attach **Form 8829**, Expenses for Business Use of Your Home, if you claim this deduction.

For details, see the instructions for Form 8829, and get **Pub. 587**, Business Use of Your Home.

Line 31

If you have a loss, the amount of loss you can deduct this year may be limited. Go on to line 32 before entering your loss on line

31. If you answered "No" to Question I on Schedule C, also see the instructions for Form 8582. Enter the net profit or **deductible** loss here. Combine this amount with any profit or loss from other businesses, and enter the total on Form 1040, line 12, and Schedule SE, line 2 (or Form 1041, line 3).

Statutory Employees. If you are filing Schedule C to report income and expenses as a statutory employee, include your net profit or deductible loss from line 31 with other Schedule C amounts on Form 1040, line 12. However, **do not** report this amount on Schedule SE, line 2. If you are required to file Schedule SE because of other self-employment income, see the instructions for Schedule SE.

Line 32

At-Risk Rules. Generally, if you have (a) a business loss, and (b) amounts in the business for which you are **not at risk**, you will have to complete **Form 6198**, At-Risk Limitations, to figure your allowable loss.

The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the business.

Check **box 32b** if you have amounts for which you are not at risk in this business, such as the following:

- Nonrecourse loans used to finance the business, to acquire property used in the business, or to acquire the business, that are not secured by your own property (other than property used in the business). However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property.
- Cash, property, or borrowed amounts used in the business (or contributed to the business, or used to acquire the business) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).
- Amounts borrowed for use in the business from a person who has an interest in the business, other than as a creditor, or who is related, under Internal Revenue Code section 465(b)(3), to a person (other than you) having such an interest.

If all amounts are at risk in this business, check **box 32a** and enter your loss on line 31. But if you answered "No" to Question I, you may need to complete **Form 8582** to figure your allowable loss to enter on line 31. See the Instructions for Form 8582 for more details.

If you checked **box 32b**, get Form 6198 to determine the amount of your deductible loss and enter that amount on line 31. But if you answered "No" to Question I, your loss may be further limited. See the Instructions for Form 8582. If your at-risk amount is zero or less, enter zero on line 31. Be sure to attach Form 6198 to your return. If you checked box 32b and you do not attach Form 6198, the processing of your tax return may be delayed.

Statutory employees, include your deductible loss with other Schedule C amounts on Form 1040, line 12. **Do not** include this amount on Schedule SE, line 2.

Any loss from this business not allowed for 1992 because of the at-risk rules is treat-

ed as a deduction allocable to the business in 1993. For more details, see the instructions for Form 6198 and **Pub. 925**.

Part III. Cost of Goods Sold

If you engaged in a trade or business in which the production, purchase, or sale of merchandise was an income-producing factor, merchandise inventories must be taken into account at the beginning and end of your tax year.

Note: *Certain direct and indirect expenses must be capitalized or included in inventory. See the instructions for Part II.*

Instructions for Schedule D, Capital Gains and Losses

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

General Instructions

Which Form To Use

Use Schedule D to:

- Report the sale or exchange of a capital asset.
- Report gains from involuntary conversions of capital assets not held for business or profit.
- Reconcile Forms 1099-B you got for bartering transactions. (See Part VII.)

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

- The sale or exchange of trade or business property, depreciable and amortizable property, oil, gas, geothermal, or other mineral property, and section 126 property.
- The involuntary conversion (other than by casualty or theft) of trade or business property and capital assets held for business or profit.
- The disposition of other noncapital assets not mentioned above.

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

Use **Form 8824**, *Like-Kind Exchanges*, if you made one or more like-kind exchanges. See **Exchange of Like-Kind Property** on page D-2.

Capital Asset

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

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

1. Stock in trade or other property included in inventory or held for sale to customers.
2. Accounts or notes receivable for services performed in the ordinary course of your trade or business or as an employee, or from the sale of any property described in 1.
3. Depreciable property used in your trade or business even if it is fully depreciated.
4. Real property (real estate) used in your trade or business.
5. Copyrights, literary, musical, or artistic compositions, letters or memoranda, or similar property: (a) created by your personal efforts; (b) prepared or produced for you (in the case of letters, memoranda, or similar property); or (c) that you received from someone who created them or for whom they were created, as mentioned in (a) or (b), in a way (such as by gift) that entitled you to the basis of the previous owner.

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

Short-Term or Long-Term

Separate your capital gains and losses according to how long you held or owned the property. The holding period for long-term capital gains and losses is more than 1 year. The holding period for short-term capital gains and losses is 1 year or less.

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

Generally, a nonbusiness bad debt must be treated as a short-term capital loss. See Pub. 550 under **Nonbusiness Bad Debts** for what qualifies as a nonbusiness bad debt and how to enter it on Schedule D.

Limit on Capital Losses

For 1992, you may deduct capital losses up to the amount of your capital gains plus \$3,000 (\$1,500 if married filing separately). Capital losses that exceed this amount are carried forward to later years.

Losses That Are Not Deductible

Do not deduct a loss from the direct or indirect sale or exchange of property between any of the following:

- Members of a family.
- A corporation and an individual owning more than 50% of the corporation's stock (unless the loss is from a distribution in complete liquidation of a corporation).
- A grantor and a fiduciary of a trust.
- A fiduciary and a beneficiary of the same trust.
- A fiduciary and a beneficiary of another trust created by the same grantor.
- An individual and a tax-exempt organization controlled by the individual or the individual's family.

See Pub. 544 for more details on sales and exchanges between related parties.

If you dispose of (a) an asset used in an activity to which the at-risk rules apply, or (b) any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, get the instructions for **Form 6198**, *At-Risk Limitations*. If the loss is allowable

under the at-risk rules, it is then subject to the passive activity rules. Get **Form 8582**, *Passive Activity Loss Limitations*, and its instructions to see how to report capital gains and losses from a passive activity.

Items for Special Treatment and Special Cases

The following items may require special treatment:

- Transactions by a securities dealer.
- Wash sales of stock or securities (including contracts or options to acquire or sell stock or securities). See Pub. 550 for details.
- Bonds and other debt instruments. See Pub. 550 for details.
- Certain real estate subdivided for sale which may be considered a capital asset.
- Gain on the sale of depreciable property to a more than 50% owned entity, or to a trust of which you are a beneficiary.
- Gain on the disposition of stock in an Interest Charge Domestic International Sales Corporation.
- Gain on the sale or exchange of stock in certain foreign corporations.
- Transfer of property to a foreign corporation as paid-in surplus or as a contribution to capital, or to a foreign trust or partnership.
- Transfer of property to a partnership that would be treated as an investment company if it were incorporated.
- Sales of stock received under a qualified public utility dividend reinvestment plan. See Pub. 550 for details.
- Transfer of appreciated property to a political organization.
- Loss on the sale, exchange, or worthlessness of small business (section 1244) stock.
- In general, no gain or loss is recognized on the transfer of property from an individual to a spouse or a former spouse, if the transfer is incident to a divorce. Get **Pub. 504**, *Divorced or Separated Individuals*.
- Amounts received on the retirement of a debt instrument generally are treated as received in exchange for the debt instrument.
- Any loss on the disposition of converted wetland or highly erodible cropland that is first used for farming after March 1, 1986, is reported as long-term capital loss on Schedule D, but any gain is reported as ordinary income on Form 4797.
- Gifts of property and inherited property. See Pub. 544.
- Amounts received by shareholders in corporate liquidations.
- Cash received in lieu of fractional shares of stock as a result of a stock split or stock dividend. See Pub. 550.

• Mutual fund load charges may not be taken into account in determining gain or loss on certain dispositions of stock in mutual funds if reinvestment rights were exercised. For details, get **Pub. 564**, Mutual Fund Distributions.

• Deferral of gain on conflict-of-interest dispositions by certain members of the Executive Branch of the Federal Government under section 1043. See Form 8824.

Inherited Property

If you disposed of property that you acquired by inheritance, report the disposition as a long-term gain or loss, regardless of how long you held the property. Write **"INHERITED"** in column (b), instead of the date you acquired the property.

Short Sales

A short sale is a contract to sell property you borrowed for delivery to a buyer. At a later date, you either buy substantially identical property and deliver it to the lender or deliver property that you held but did not want to transfer at the time of the sale. Usually, your holding period is the amount of time you actually held the property eventually delivered to the lender to close the short sale. However, if you held substantially identical property for 1 year or less on the date of the short sale, or if you acquire property substantially identical to the property sold short after the short sale but on or before the date you close the short sale, your gain when closing the short sale is a short-term capital gain. If you held substantially identical property for more than 1 year on the date of a short sale, any loss realized on the short sale is a long-term capital loss, even if the property used to close the short sale was held 1 year or less.

Gain or Loss From Options

Report on Schedule D gain or loss from the closing or expiration of an option that is not a section 1256 contract, but that is a capital asset in your hands.

If a purchased option expired, enter the expiration date in column (c), and write **"EXPIRED"** in column (d).

If an option that was granted (written) expired, enter the expiration date in column (b), and write **"EXPIRED"** in column (e).

Fill in the other columns as appropriate. See Pub. 550 for more details.

Exchange of Like-Kind Property

A "like-kind exchange" occurs when you exchange business or investment property for property of a like kind. Complete and attach Form 8824 to your return for each exchange.

For exchanges of capital assets, enter the gain or loss from Form 8824, if any, on line 4 or line 12 in column (f) or (g). If an exchange was made with a related party, write "Related Party Like-Kind Exchange" in the top margin of Schedule D. See Form 8824 and its instructions for details.

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

Gain from the sale or exchange of this property is a capital gain. Report it on Schedule D, Part I or Part II. Loss from the sale or exchange of this property is not deductible. But if you had a loss from the sale or exchange of real estate held for personal use (other than your main home), you must report the transaction on Schedule D even though the loss is not deductible.

For example, you have a loss on the sale of a vacation home that is not your main home. Report it on line 1a or 9a, depending on how long you owned the home. Complete columns (a) through (e). Since the loss is not deductible, write "Personal Loss" across columns (f) and (g).

Disposition of Partnership Interest

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

Long-Term Capital Gains From Regulated Investment Companies

Include in income as a long-term capital gain the amount on **Form 2439**, Notice to Shareholder of Undistributed Long-Term Capital Gains, that represents your share of the undistributed capital gains of a regulated investment company. Enter on Form 1040, line 59, the tax paid by the company shown on Form 2439. Add to the basis of your stock the excess of the amount included in income over the amount of the credit. See Pub. 550 for more details.

Capital Gain Distributions

Enter on line 14 capital gain distributions paid to you during the year as a long-term capital gain regardless of how long you held your investment. See Pub. 550 for more details.

Sale of Your Home

Use **Form 2119**, Sale of Your Home, to report the sale of your main home whether or not you bought another one. You must file Form 2119 for the year in which you sell your main home, even if you have a loss or you postpone or defer all or part of your gain. For more details, get **Pub. 523**, Selling Your Home.

Installment Sales

If you sold property (other than publicly traded stocks or securities) at a gain and you will receive a payment in a tax year after the year of sale, you must report the sale on the installment method unless you elect not to do so.

Use **Form 6252**, Installment Sale Income, to report the sale on the installment method. Also use Form 6252 to report any payment received in 1992 from a sale made in an

earlier year that you reported on the installment method.

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

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

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

Get **Pub. 537**, Installment Sales, for more details.

Section 1256 Contracts and Straddles

Use **Form 6781**, Gains and Losses From Section 1256 Contracts and Straddles, to report these transactions. See Pub. 550 for more details.

Form 1099-A, Acquisition or Abandonment of Secured Property

If you received a Form 1099-A from your lender, you may have gain or loss to report because of the acquisition or abandonment. See Pub. 544 for details.

Specific Instructions

Parts I and II

Column (b)

Date Acquired

Enter in this column the date the asset was acquired. For stock or other property sold short, enter the date the stock or property was delivered to the broker or lender to close the short sale.

If you sold a block of stock (or similar property) that was acquired through several different purchases, you may report the sale on one line and write **"VARIOUS"** in column (b). However, you still must report the short-term gain or loss on the sale in Part I and the long-term gain or loss on the sale in Part II.

Column (c)

Date Sold

For stock or other property sold short, enter the date you sold the stock or property you borrowed to open the short sale transaction.

Column (d)

Sales Price

Enter in this column either the gross sales price or the net sales price from the sale. If you sold stocks or bonds and you received a Form 1099-B or similar statement from your broker that shows gross sales price, enter that amount in column (d). But if Form 1099-B (or your broker) indicates that gross proceeds minus commissions and option premiums were reported to the IRS, enter that net amount in column (d). If the net

amount is entered in column (d), do not include the commissions and option premiums in column (e).

You should not have received a Form 1099-B (or substitute statement) for a transaction merely representing the return of your original investment in a nontransferable obligation, such as a savings bond or a certificate of deposit. But if you did, report the amount shown on Form 1099-B (or substitute statement) in both columns (d) and (e).

Caution: *Be sure to add all sales price entries on lines 1a and 9a, column (d), to amounts on lines 1b and 9b, column (d). Enter the totals on lines 1c and 9c.*

Column (e)

Cost or Other Basis

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

You should not have received a Form 1099-B (or substitute statement) for a transaction merely representing the return of your original investment in a nontransferable obligation, such as a savings bond or a certificate of deposit. But if you did, report the amount shown on Form 1099-B (or substitute statement) in both columns (d) and (e).

When selling stock, adjust your basis by subtracting all the nontaxable distributions you received before the sale. Also adjust your basis for any stock splits. See Pub. 550 for details on how to figure your basis in stock that split during the time you owned it.

The basis of property acquired by gift is generally the basis of the property in the hands of the donor. The basis of property acquired from a decedent is generally the fair market value at the date of death.

The cost or other basis of an original issue discount (OID) debt instrument is increased by the amount of OID that has been included in gross income for that instrument.

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

Increase your cost or other basis by any expense of sale, such as broker's fees, commissions, state and local transfer taxes, and option premiums before making an entry in column (e), unless you reported the net sales price in column (d).

For more details, get **Pub. 551**, Basis of Assets.

Lines 1a and 9a

Enter all sales and exchanges of stocks, bonds, etc., and real estate (if not reported on Form 2119, 4797, 6252, or 8824). Include these transactions even if you did not receive a Form 1099-B or 1099-S (or substitute statement) for the transaction. You can use abbreviations to describe the property as

D-3

long as the abbreviations are based on the descriptions of the property as shown on Form 1099-B or 1099-S (or substitute statement).

Use **Schedule D-1**, Continuation Sheet for Schedule D (Form 1040), if you need more space to list transactions for lines 1a and 9a. You may use as many Schedules D-1 as you need. Enter on Schedule D, lines 1b and 9b, columns (d), (f), and (g) the combined totals of all your Schedules D-1.

Lines 1d and 9d

Enter all sales and exchanges of other capital assets that are not reported on lines 1a or 9a. Do not include transactions reported on Forms 2119, 4797, 6252, or 8824.

Part VII

This part helps the IRS compare amounts of bartering income reported to you on Forms 1099-B with amounts you reported on your tax return. For details on bartering income, get **Pub. 525**, Taxable and Nontaxable Income.

Instructions for Schedule E, Supplemental Income and Loss

Use Schedule E to report income or loss from rental real estate, royalties, partnerships, S corporations, estates, trusts, and residual interests in REMICs.

If you attach your own schedule(s) to report income or loss from any of these sources, use the same format as on Schedule E. Enter separately on Schedule E the total income and the total loss for each part. Enclose loss figures in (parentheses).

Part I. Income or Loss From Rental Real Estate and Royalties

Use Part I to report income and expenses from rentals of real estate (including personal property leased with real estate). Also, use Part I to report royalty income and expenses. Use **Schedule C** or **C-EZ** to report income and expenses from the rental of personal property, such as equipment or vehicles. See the instructions for lines 3 and 4 to determine when rental real estate and royalty income should be reported on Schedule C or C-EZ, or **Form 4835**, Farm Rental Income and Expenses, instead.

If you own a part interest in a rental real estate property, report only your part of the income and expenses on Schedule E.

If you have more than three rental real estate or royalty properties, complete and attach as many Schedules E as you need to list them. Complete lines 1 and 2 for each property. But fill in the "Totals" column only on one Schedule E. The figures in the "Totals" column on that Schedule E should be the combined totals of all Schedules E.

If you also need to use page 2 of Schedule E, use the same Schedule E on which you entered the combined totals in Part I.

Filers of Form 1041

Enter your employer identification number in the block for "Your social security number."

Line 1

For rental real estate property only, show the kind of property you rented out, for example, "brick duplex." Give the street address, city or town, and state. You do not have to give the ZIP code. If you own a part interest in the property, show your percentage of ownership.

Line 2

If you rented out a dwelling unit and also used it as a home during the year, you may not be able to deduct all the expenses for the rental part. A dwelling unit (unit) means a house, apartment, condominium, mobile home, boat, or like property. Check the "Yes" or "No" box on line 2, whichever applies, to show whether you or your family

used the property for personal purposes in 1992.

If the property is not a dwelling unit, check "No."

If the property is a dwelling unit, check "Yes" if you or your family used the unit for personal use more than the greater of:

1. 14 days; or
2. 10% of the total days it was rented to others at a fair rental price.

What Is Personal Use? A day of personal use is any day, or part of a day, that the unit was used by:

- You for personal purposes.
- Any other person for personal purposes, if that person owns part of the unit (unless rented to that person under a "shared equity" financing agreement).
- Anyone in your family or in the family of someone else who owns part of the unit. The day is not treated as personal if the unit is rented at a fair rental price to that person as his or her main home.
- Anyone under an agreement that lets you use some other unit.
- Anyone who pays less than a fair rental price for the unit.

If you checked "No," you can deduct all your expenses for the rental part, subject to the **At-Risk Rules** and the **Passive Activity Loss Rules** explained on pages E-2 and E-3.

If you checked "Yes" and rented the unit out for fewer than 15 days, do not report the rental income and do not deduct any rental expenses. But if you itemize deductions on **Schedule A** (Form 1040), you may deduct interest, taxes, and casualty losses.

If you checked "Yes" and rented the unit out for at least 15 days, you may NOT be able to deduct all your rental expenses. You can deduct your mortgage interest, real estate taxes, and casualty losses for the rental part on Schedule E. You can also deduct your other rental expenses that are not related to your use of the unit as a home, such as advertising expenses and realtors' fees. If any income is left after deducting these expenses, you can then deduct other expenses. But you cannot deduct more than the income that is left. Carry amounts you cannot deduct to 1993. Get **Pub. 527**, Residential Rental Property (Including Rental of Vacation Homes), for more details.

Line 3

If you were not in the real estate sales business but you received rent from real estate (including personal property leased with real

estate), report it on line 3. Include room and other space rentals. If you received services or property instead of money as rent, report its fair market value. Be sure to enter your total rents in the "Totals" column even if you have only one property.

If you provided significant services to the renter or sold real estate as a business, do not use Schedule E. Instead, report the income on Schedule C or C-EZ.

For more information, see Tele-Tax (topic no. 213) on page 28 or Pub. 527.

Rental Income From Farm Production or Crop Shares. Report farm rental income and expenses on Form 4835 if (1) you received rental income based on crops or livestock produced by the tenant, **and** (2) you did not manage or operate the farm to any great extent.

If you use Form 4835, enter on line 39 of Schedule E the net farm rental income or loss from Form 4835. Also, include the gross farm rents from Form 4835, line 7, on Schedule E, line 41.

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

Line 4

Report on line 4 **royalties** from oil, gas, or mineral properties (not including operating oil, gas, or mineral interests); copyrights; and patents. Enter your total royalties in the "Totals" column. If you received \$10 or more in royalties during 1992, you should receive a **Form 1099-MISC**, or similar statement, showing them. The payer must send this statement to you by February 1, 1993. If you are in business as a self-employed writer, inventor, artist, etc., report your income and expenses on Schedule C or C-EZ. You may be able to treat amounts received as "royalties" for transfer of a patent or amounts received on the disposal of coal and iron ore as the sale of a capital asset. For details, get **Pub. 544**, Sales and Other Dispositions of Assets.

If state or local taxes were withheld from oil or gas payments you received, enter on line 4 the gross amount of royalties. Include the taxes withheld by the producer on line 16.

Caution: If you received a credit or refund of overpaid windfall profit tax in 1992, see the instructions for line 40.

Lines 5 through 21

Enter your rental and royalty expenses for each property in the appropriate columns. Also, enter your total expenses for mortgage interest (line 12), total expenses before depreciation expense or depletion (line 19), and depreciation expense or depletion (line 20) in the "Totals" column even if you have only one property. You can deduct an amount for the depreciation of rental property and all ordinary and necessary expenses, such as taxes, interest, repairs, insurance, maintenance, management fees, and agents' commissions.

Do not deduct the value of your own labor, capital investments, or capital improvements.

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

Credit For Expenses To Rehabilitate Low-Income Housing. You may be able to claim a tax credit for costs you paid or incurred to rehabilitate qualified low-income housing. Get **Form 8586**, Low-Income Housing Credit, and **Form 8582-CR**, Passive Activity Credit Limitations. Also, get **Pub. 925**, Passive Activity and At-Risk Rules, to learn how the passive activity loss rules apply to low-income housing.

Credit or Deduction for Access Expenditures. You may be able to claim a tax credit of up to \$5,000 for eligible expenditures paid or incurred in 1992 to provide access to your business for individuals with disabilities. Get **Form 8826**, Disabled Access Credit, for more details.

You can also deduct up to \$15,000 of costs paid or incurred in 1992 to remove architectural or transportation barriers to individuals with disabilities and the elderly.

You cannot take both the credit and the deduction for the same expenditures. Get **Pub. 535**, Business Expenses, and **Pub. 907**, Information for Persons with Handicaps or Disabilities, for details.

Line 6

You may deduct ordinary and necessary auto and travel expenses related to your rental activities. If you use your auto in connection with your rental activities, you can either deduct your actual expenses or take the standard mileage rate. You **must** use actual expenses if you do not own the auto you use in your rental activities **or** if you use more than one vehicle simultaneously (as in fleet operations).

If you deduct actual auto expenses, include on line 6 the rental activity portion of the cost of gasoline, oil, repairs, insurance, tires, license plates, etc. Show auto rental or lease payments on line 18 and depreciation on line 20.

If you want to take the standard mileage rate, multiply the number of miles you drove your auto in connection with your rental activities by 28 cents a mile. Add to this amount your parking fees and tolls. Include the total on line 6.

If you claim any auto expenses (actual or the standard mileage rate), you must provide the information requested in Part V of **Form**

4562, Depreciation and Amortization, and attach Form 4562 to your return.

For more details, get Pub. 527; **Pub. 463**, Travel, Entertainment, and Gift Expenses; and **Pub. 917**, Business Use of a Car.

Line 10

Include on this line fees for tax advice related to your rental real estate or royalty properties and for preparation of the tax forms related to those properties.

Lines 12 and 13

In general, to determine the interest expense allocable to your rental activities, you will have to keep records to show how the proceeds of each debt were used. Specific tracing rules apply for allocating debt proceeds and repayment of the debt. See Pub. 535 for details.

If you have a mortgage on your rental property, enter on line 12 the interest you paid for 1992 to banks or other financial institutions. Be sure to fill in the "Totals" column.

If you paid \$600 or more in interest on this mortgage, the recipient should send you a **Form 1098**, Mortgage Interest Statement, or similar statement, by February 1, 1993, showing the total interest received from you during 1992. If you paid more mortgage interest than is shown on your Form 1098 or similar statement, see Pub. 535 to find out if you can deduct the additional interest. If you can, enter the amount on line 12. Attach a statement to your return explaining the difference. Write "See attached" in the left margin next to line 12.

Note: *If the recipient was not a financial institution or you did not receive a Form 1098 from the recipient, report your deductible mortgage interest on line 13.*

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage, and the other person received Form 1098, report your share of the interest on line 13. Attach a statement to your return showing the name and address of the person who received Form 1098. In the left margin next to line 13, write "See attached."

Line 17

The base rate (including taxes) for local telephone service for the first telephone line to any residence is a personal expense and is not deductible.

Line 20

Depreciation is the annual deduction allowed to recover the cost or other basis of business or investment property with a useful life of more than one year. Land is not depreciable.

Depreciation starts when you first use the property in your business or for the production of income. It ends when you take the property out of service, deduct all your depreciable cost or other basis, or no longer use the property in your business or for the production of income.

For property placed in service after 1980, see the Instructions for Form 4562 to figure the amount of depreciation to enter on line

20. For property placed in service before 1981, figure depreciation from your own books and records and enter the total on line 20. Be sure to fill in the "Totals" column.

You must complete and attach Form 4562 **only** if:

- You are claiming depreciation on property placed in service during 1992, or
- You are claiming depreciation on listed property (defined in the Instructions for Form 4562), including a car, regardless of the date it was placed in service, or
- You are claiming a section 179 expense deduction or amortization of costs that began in 1992.

If you acquired depreciable property for the first time in 1992, get **Pub. 946**, How To Begin Depreciating Your Property. For a more comprehensive guide to depreciation, get **Pub. 534**, Depreciation.

If you own mineral property or an oil, gas, or geothermal well, you may be able to take a deduction for depletion. See Pub. 535 for details.

Line 22

At-Risk Rules

Generally, if you have (a) a loss from an activity carried on as a trade or business or for the production of income, and (b) amounts in the activity for which you are not at risk, you will have to complete **Form 6198**, At-Risk Limitations, to figure your allowable loss.

The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the activity. However, if you acquired your interest in the activity before 1987, the at-risk rules do not apply to losses from an activity of holding real property placed in service before 1987. The activity of holding mineral property does not qualify for this exception.

In most cases, you are not at risk for amounts such as:

- Nonrecourse loans used to finance the activity, to acquire property used in the activity, or to acquire your interest in the activity that are not secured by your own property (other than property used in the activity). There is an exception for certain nonrecourse financing borrowed by you in connection with holding real property. See **Qualified nonrecourse financing** below.
- Cash, property, or borrowed amounts used in the activity (or contributed to the activity, or used to acquire your interest in the activity) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).
- Amounts borrowed for use in the activity from a person who has an interest in the activity, other than as a creditor, or who is related, under Internal Revenue Code section 465(b)(3), to a person (other than you) having such an interest.

Qualified nonrecourse financing secured by real property used in an activity of holding real property that is subject to the at-risk rules is treated as an amount at risk. Qualified nonrecourse financing is financing

for which no one is personally liable for repayment and is:

- Borrowed by you in connection with holding real property,
- Not convertible from a debt obligation to an ownership interest, **and**
- Loaned or guaranteed by any Federal, state, or local government, or borrowed by you from a **qualified person**.

A **qualified person** is a person who actively and regularly engages in the business of lending money, such as a bank or savings and loan association. A **qualified person** is **not**:

- A person related to you (although a person related to you may be a qualified person if the nonrecourse financing is commercially reasonable and on the same terms as loans involving unrelated persons), or
- The seller of the property (or a person related to the seller), or
- A person who receives a fee due to your investment in real property (or a person related to that person).

If you have amounts for which you are not at risk in a rental or royalty activity, get Form 6198 to determine the amount of your deductible loss and enter that amount in the appropriate column of Schedule E, line 22. In the space to the left of line 22, write "Form 6198." Be sure to attach Form 6198 to your return.

Line 23

Enter on line 23 your deductible rental loss. If your rental loss is from a passive activity (defined below), you may need to complete **Form 8582**, Passive Activity Loss Limitations, to figure the amount of loss, if any, to enter on line 23. But see the following exception.

Exception for Certain Rental Real Estate Activities. If you had losses from rental real estate activities, you **do not** have to complete Form 8582 to figure the amount of loss you can deduct on line 23 if you meet **ALL THREE** of the following conditions:

1. Rental real estate activities are your only passive activities.
2. You do not have any prior year unallowed losses from any passive activities.
3. **All** of the following apply if you have an overall net loss from these activities:
 - You actively participated (defined later) in all of the rental real estate activities; **and**
 - If married filing separately, you lived apart from your spouse all year; **and**
 - Your overall net loss from these activities is \$25,000 or less (\$12,500 or less if married filing separately); **and**
 - You have no current or prior year unallowed credits from passive activities; **and**
 - Your modified adjusted gross income, defined later, is \$100,000 or less (\$50,000 or less if married filing separately).

If you meet **ALL THREE** of the conditions listed above, your rental real estate losses are not limited by the passive activity rules. Enter the loss from line 22 on line 23.

If you do **not** meet **ALL THREE** of the conditions listed above, see the Instructions for Form 8582 to find out if you must complete and attach Form 8582.

Active Participation. You can meet the active participation requirement without regular, continuous, and substantial involvement in operations. But you must have participated in making management decisions or arranging for others to provide services (such as repairs), in a significant and bona fide sense.

Management decisions that are relevant in this context include approving new tenants, deciding on rental terms, approving capital or repair expenditures, and other similar decisions.

You are not considered to actively participate if, at any time during the tax year, your interest (including your spouse's interest) in the activity was less than 10% (by value) of all interests in the activity.

Modified Adjusted Gross Income. This is your adjusted gross income from Form 1040, line 31, without taking into account any passive activity loss, taxable social security or equivalent railroad retirement benefits, deductible contributions to an IRA or certain other qualified retirement plans under Internal Revenue Code section 219, or the deduction for one-half of self-employment tax. If you file **Form 8815**, Exclusion of Interest From Series EE U.S. Savings Bonds Issued After 1989, modified adjusted gross income includes the interest excluded on line 14 of that form.

Passive Activity Loss Rules

The passive activity loss rules may limit the amount of losses you can deduct. They apply to losses in Parts I, II, and III, and on line 39 of Schedule E. Losses from passive activities may be first subject to the at-risk rules. Losses deductible under the at-risk rules are then subject to the passive activity rules.

You can generally deduct losses from passive activities only to the extent of income from passive activities. An exception applies to certain rental real estate activities (as previously explained).

Passive Activity. A passive activity is any business activity in which you **DO NOT** materially participate and any rental activity regardless of participation. See the Instructions for Form 8582 to determine whether you materially participated in a business activity. If you are a limited partner, you are generally not treated as having materially participated in the partnership's activity for the year.

The rental of real or personal property is generally a rental activity under the passive activity loss rules, but exceptions apply to this rule. If your rental of property is not treated as a rental activity, you must determine whether it is a trade or business activity, and, if so, whether you materially participated in the activity for the tax year. See the Instructions for Form 8582 for the material participation tests and the definition of "rental activity." See Pub. 925 for special rules that apply to rentals of (a) substantially nondepreciable property, (b) property incidental to development activities, and (c) property to activities in which you materially participate.

The rental of your home that you also used for personal purposes is not a passive activity. See the instructions for line 2.

A working interest in an oil or gas well that you hold directly or through an entity that

does not limit your liability is not a passive activity even if you do not materially participate.

Royalty income not derived in the ordinary course of a trade or business reported on Schedule E is generally not considered income from a passive activity.

For more details on passive activities, see the Instructions for Form 8582 and Pub. 925.

Parts II and III. Income or Loss From Partnerships, S Corporations, Estates, or Trusts

If you are a member of more than one partnership, a shareholder in more than one S corporation, or a beneficiary of more than one estate or trust, do not report information from more than one entity on the same line.

If you need more space in Parts II and III to list your income or losses, attach a continuation sheet using the same format as shown in Parts II and III. However, be sure to complete the "Totals" columns for lines 28a and 28b, or lines 33a and 33b, as appropriate. If you also completed Part I on more than one Schedule E, use the same Schedule E on which you entered the combined totals in Part I.

Tax Shelter Registration Number. If you are claiming or you are reporting any deduction, loss, credit, or other tax benefit, or reporting income from an interest purchased or otherwise acquired in a tax shelter, you must complete and attach **Form 8271**, Investor Reporting of Tax Shelter Registration Number. This reports the tax shelter registration number as well as other information about the tax shelter. There is a \$250 penalty if you fail to report this number on your tax return.

Tax Preference Items. If you are a partner, a shareholder in an S corporation, or a beneficiary of an estate or trust, you must take into account your share of tax preference items and adjustments from these entities on **Form 6251**, Alternative Minimum Tax—Individuals, or **Schedule H** (Form 1041) for estates and trusts.

Partnerships and S Corporations

If you are a member of a partnership or joint venture or a shareholder in an S corporation, use Part II to report your share of the partnership or S corporation income (even if not received) or loss. You should receive a **Schedule K-1** from the partnership or the S corporation. Do not attach Schedules K-1 to your return. Keep them for your records. You should also receive a copy of the Partner's or Shareholder's Instructions for Schedule K-1. If you did not receive these instructions with your Schedule K-1, you can get a copy at most IRS offices. Your copy of Schedule K-1 and its instructions will tell you where on your return to report your share of the items.

Special rules apply that limit losses. Please note the following:

- If you have a current year loss or a prior year unallowed loss from a partnership or an S corporation, see **At-Risk Rules** on page

E-2 and **Passive Activity Loss Rules** on page E-3.

Partners and S corporation shareholders should get a separate statement of income, expenses, deductions, and credits for each activity engaged in by the partnership and S corporation. If you are subject to the at-risk rules for any activity, use Form 6198 to figure the amount of any deductible loss. If the activity is nonpassive, enter the deductible loss, if any, from Form 6198 in Part II, column (i), of Schedule E.

- If you have a passive activity loss, you generally need to complete Form 8582 to figure the amount of the allowable loss to enter in Part II, column (g), for that activity. But if you are a **general** partner or an S corporation shareholder reporting your share of a partnership or an S corporation loss from a rental real estate activity, **and** you meet **ALL THREE** of the conditions listed in the instructions for line 23, you do not have to complete Form 8582. Instead, enter your allowable loss in Part II, column (g).

- If you have passive activity income, complete Part II, column (h), for that activity.

- If you have nonpassive income or losses, complete Part II, columns (i) through (k), as appropriate.

If you are treating items on your tax return differently from the way the partnership or S corporation treated them on its return, you may have to file **Form 8082**, Notice of Inconsistent Treatment or Amended Return.

Partnerships

If you have other partnership items from a passive activity, or income or loss from any publicly traded partnership, see the Schedule K-1 instructions before entering them on your return.

If you have other partnership items, such as depletion, from a nonpassive activity, show each item on a separate line in Part II. Show unreimbursed partnership expenses from nonpassive activities on a separate line in column (i) of Part II. Unreimbursed expenses that are itemized deductions are entered on Schedule A. Report allowable interest expense paid or incurred from debt-financed acquisitions in Part II, or on Schedule A, depending on the type of expenditure to which the interest is allocated. See Pub. 535 for details.

If you claimed a credit for Federal tax on gasoline or other fuels on your 1991 Form 1040 (based on information received from the partnership), enter as income in column (h) or column (k), whichever applies, the amount of the credit claimed in 1991.

Part or all of your share of partnership income or loss from the operation of the business may be considered net earnings from self-employment that must be reported on **Schedule SE** (Form 1040). Enter the amount from Schedule K-1 (Form 1065), line 15a, on Schedule SE, after you reduce this amount by any allowable expenses attributable to that income.

If you have losses or deductions from a prior year that you could not deduct because of the at-risk or basis rules, and the amounts are now deductible, do not combine the prior year amounts with any current year amounts to arrive at a net figure to report on Schedule E. Instead, report the prior year amounts and

the current year amounts on separate lines of Schedule E.

S Corporations

Your share of the net income is NOT subject to self-employment tax. Distributions of prior year accumulated earnings and profits of S corporations are dividends and are reported on **Schedule B** (Form 1040). For details, get **Pub. 589**, Tax Information on S Corporations.

Interest expense relating to the acquisition of shares in an S corporation may be fully deductible on Schedule E. For details, see Pub. 535.

As a shareholder in an S corporation, your share of the corporation's aggregate losses and deductions (combined income, losses, and deductions) is limited to the adjusted basis of your corporate stock and any debt the corporation owes you. Any loss or deduction not allowed this year because of the basis limitation may be carried forward and deducted in a later year subject to the basis limitation for that year. If you are claiming a deduction for your share of an aggregate loss, attach to your return a computation of the adjusted basis of your corporate stock and of any debt the corporation owes you. See Pub. 589 for more information.

After applying the basis limitation, the deductible amount of your aggregate losses and deductions may be further reduced by the at-risk rules and the passive activity loss rules explained earlier.

If you have losses or deductions from a prior year that you could not deduct because of the basis or at-risk limitations, and the amounts are now deductible, do not combine the prior year amounts with any current year amounts to arrive at a net figure to report on Schedule E. Instead, report the prior year amounts and the current year amounts on separate lines of Schedule E.

Estates and Trusts

If you are a beneficiary of an estate or trust, use Part III to report your part of the income (even if not received) or loss. You should receive a **Schedule K-1** (Form 1041) from the fiduciary. Do not attach that schedule to your return. Keep it for your records. Your copy of Schedule K-1 and its instructions will tell you where on your return to report the items from Schedule K-1.

If you have estimated taxes credited to you from a trust (Schedule K-1, line 13a), write "ES payment claimed" and the amount on the dotted line next to line 36. **Do not** include this amount in the total on line 36. Instead, enter the amount on Form 1040, line 55.

A U.S. person who transferred property to a foreign trust may have to include in income the income received by the trust as a result of the transferred property if, during 1992, the trust had a U.S. beneficiary. For more information, get **Form 3520-A**, Annual Return of Foreign Trust With U.S. Beneficiaries.

Part IV. Income or Loss From REMICs

If you are the holder of a residual interest in a Real Estate Mortgage Investment Conduit (REMIC), use Part IV to report your total

share of the REMIC's taxable income or loss for each quarter included in your tax year. You should receive **Schedule Q** (Form 1066) and instructions from the REMIC for each quarter. Do not attach the schedule(s) to your return. Keep them for your records.

REMIC income or loss reported on Schedule E is not income or loss from a passive activity.

Note: *If you are the holder of a regular interest in a REMIC, do not use Schedule E to report the income you received. Instead, report it on Form 1040, line 8a.*

If you are the holder of a residual interest in more than one REMIC, attach a continuation sheet using the same format as in Part IV. Enter the totals of columns (d) and (e) on line 38 of Schedule E. If you also completed Part I on more than one Schedule E, use the same Schedule E on which you entered the combined totals in Part I.

If you are treating REMIC items on your tax return differently from the way the REMIC reported them on its return, you may have to file Form 8082.

Column (c). Report the total of the amounts shown on Schedule(s) Q, line 2c, in Part IV, column (c). This is the smallest amount of taxable income you may report on Form 1040, line 37, for 1992. If the taxable income you would show on Form 1040, line 37, is **smaller** than the total reported in column (c), you **must** enter the amount from column (c) on Form 1040, line 37. Write "Sch. Q" next to line 37 on Form 1040.

Caution: *Do not include the amount shown in column (c) in the total on line 38 of Schedule E.*

Column (e). Report the total of the amounts shown on Schedule(s) Q, line 3b, in Part IV, column (e). If you itemize your deductions on Schedule A, include this amount on line 20.

Part V. Summary

Line 40

Include any windfall profit tax credit or refund received in 1992 in the total on line 40 if you deducted the tax withheld on Schedule E in an earlier year and received a tax benefit for it on your tax return. On the dotted line next to this total, write "OWPT" and show the amount.

Line 41

Enter on line 41 your total share of gross farming and fishing income as shown on Form 4835, line 7; Schedule K-1 (Form 1065), line 15b; Schedule K-1 (Form 1120S), line 23; and Schedule K-1 (Form 1041), line 13.

You will not be charged a penalty for underpayment of estimated tax if you meet the following tests:

1. Your gross farming or fishing income for 1991 or 1992 is at least two-thirds of your gross income, and

2. You file your 1992 tax return and pay the tax due by March 1, 1993.

Instructions for Schedule EIC, Earned Income Credit

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

Note: If you are eligible, you may be able to get advance earned income credit (AEIC) payments in 1993 by filing **Form W-5** with your employer.

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

Changes To Note

• **Basic Credit.** This credit can be as much as \$1,324 for one qualifying child. For two qualifying children, it can be as much as \$1,384. This is the maximum amount of this credit even if you had more than two qualifying children.

• **Health Insurance Credit.** This credit can be as much as \$451. If you paid for health insurance that covered a qualifying child, you may be able to take this credit. If you itemize deductions on Schedule A or you were self-employed, see **Special Rules** below.

• **Extra Credit for Child Born in 1992.** If you have a qualifying child born in 1992, you may also be able to take this credit. It can be as much as \$376. This is the maximum amount of this credit even if you had more than one qualifying child born in 1992 (for example, twins). If you paid someone to care for your child born in 1992 so you could work, see **Special Rules** next.

Special Rules

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

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

Extra Credit for Child Born in 1992. If you take this extra credit, you **can't** take the credit for child care expenses or the exclusion of employer-provided dependent care benefits on **Form 2441** for the same child. To help you decide if it would be better to take the extra credit or the credit or exclusion on Form 2441, see **A Change To Note** in the Instructions for Form 2441.

If you choose to take the credit or exclusion on Form 2441 for your qualifying child born in 1992, you can still take the **basic credit** and, if it applies, the **health insurance credit** for that child.

Ministers and Members of Religious Orders. If you are filing **Schedule SE**, Self-Employment Tax, and the amount on line 2 of that schedule includes an amount that was also reported on Form 1040, line 7, follow these special rules. First, write "Clergy" at the top of Schedule EIC. If you received a housing allowance or were provided housing, **do not** include the allowance

or rental value of the parsonage as nontaxable earned income on Schedule EIC, line 2 or line 5, whichever applies. This income should be included on Schedule SE, line 2.

Then, if you are figuring the earned income credit yourself, determine how much of the income reported on Form 1040, line 7, was also reported on Schedule SE, line 2. Next, subtract that income from the amount on Form 1040, line 7. Then, enter only the result on Schedule EIC, line 4. Last, be sure to use the worksheet on page EIC-3 to figure the amount to enter on Schedule EIC, line 6.

Part I. General Information

Who Can Take the Credit

You can take the earned income credit if you meet **all six** of the following requirements:

1. You worked and the total of your **taxable and nontaxable earned income** (see page EIC-2) is less than \$22,370. To see if you meet this requirement, you can fill in lines 4 through 7 on page 2 of Schedule EIC.

2. Your adjusted gross income (Form 1040, line 31) is less than \$22,370.

3. Your filing status is Single, Married filing jointly, Head of household, or Qualifying widow(er).

4. You have at least one qualifying child. If the child was married or is also a qualifying child of another person, special rules apply. For details, see **Married Child and Qualifying Child of More Than One Person** on page EIC-2.

5. You are not a qualifying child of another person.

6. You don't file **Form 2555**, Foreign Earned Income, or **Form 2555-EZ**, Foreign Earned Income Exclusion.

Do you meet **all six** of the above requirements?

• **Yes.** Fill in the parts of Schedule EIC that apply to you.

• **No.** Enter "No" on the dotted line next to line 56 of Form 1040.

Effect of Credit on Certain Welfare Benefits. Any refund you receive as the result of claiming the earned income credit will not be used to determine if you are eligible for the following benefit programs, or how much you can receive from them.

• Aid to Families With Dependent Children (AFDC).

• Medicaid and Supplemental Security Income (SSI).

• Food stamps and low-income housing.

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

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

Qualifying Child

A child must meet one condition from each of the three boxes in Part I of Schedule EIC to be a qualifying child. A child doesn't have to be your dependent in most cases. But if the child was married, special rules apply. See **Married Child** on page EIC-2.

Example. You are divorced and have a 7-year-old son. Although you had custody of your son, he is claimed as a dependent on his other parent's 1992 tax return. Your son is your qualifying child because he meets one condition from each box in Part I of Schedule EIC. Your son is not a qualifying child of his other parent because he did not live with the other parent for more than 6 months.

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

• A **foster child** is any child you cared for as your own child. For example, if you cared for your niece as your own child, she is considered your foster child.

• A child placed with you by an authorized placement agency for legal adoption is an **adopted child** even if the adoption isn't final.

• A **grandchild** is any descendant of your son, daughter, or adopted child. For example, a grandchild includes your great-grandchild, great-great-grandchild, etc.

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

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

Exception. The child, including a foster child, is considered to have lived with you for all of 1992 if **both** of the following apply:

1. The child was born or died in 1992, and
2. Your home was the child's home while he or she was alive.

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

Married Child. If your child was married at the end of 1992, that child is a qualifying child only if you can claim him or her as your dependent on Form 1040, line 6c. But if this child's other parent claimed him or her as a dependent under the rules on page 12 for **Children of Divorced or Separated Parents**, this child is your qualifying child.

Qualifying Child of More Than One Person. If a child meets the conditions to be a qualifying child of more than one person, only the person who had the **highest** adjusted gross income for 1992 may treat that child as a qualifying child. If the other person is your spouse and you are filing a joint return, this rule doesn't apply. If you cannot take the earned income credit because of this rule, enter "No" on the dotted line next to line 56 of Form 1040.

Example. You and your 5-year-old daughter moved in with your mother in April 1992. You are not a qualifying child of your mother. Your daughter meets the conditions to be a qualifying child for both you and your mother. Your adjusted gross income for 1992 was \$7,000 and your mother's was \$14,000. Since your mother's adjusted gross income was higher, your daughter is your mother's qualifying child.

Taxable Earned Income

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

Nontaxable Earned Income

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

- Basic quarters and subsistence allowances and the value of in-kind quarters and subsistence received from the U.S. military. This amount may be shown on your last Leave and Earnings Statement for 1992. If it isn't or you need additional help, contact your legal assistance office or unit tax advisor.
- Combat zone excluded pay. If you served in Operation Desert Storm, contact your legal assistance office or unit tax advisor to find out the amount of combat zone excluded pay you received in 1992.

- Housing allowance or rental value of a parsonage for clergy members. But if you are filing Schedule SE, see **Ministers and Members of Religious Orders** on page EIC-1.
- Meals and lodging provided for the convenience of your employer.
- Voluntary salary deferrals. If you chose to have your employer contribute part of your pay to certain retirement plans (such as a 401(k) plan or the Federal Thrift Savings Plan) instead of having it paid to you, the "Deferred compensation" box in box 6 of your W-2 form should be checked. The amount deferred should be shown in box 17 of your W-2 form.
- Excludable employer-provided dependent care benefits from Form 2441, line 25.
- Voluntary salary reductions, such as under a cafeteria plan, unless they are included in box 10 of your W-2 form(s). For details, see Pub. 596.

Part II. Information About Your Two Youngest Qualifying Children

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

Line 1, Column (a)

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

If you had a qualifying child born in 1992, list that child even if you chose to claim the credit or exclusion for child care expenses for this child on Form 2441.

Line 1, Column (c)

If your child was born **before 1974** but was under age 24 at the end of 1992 and a student, put a checkmark in column (c).

- Your child was a **student** if he or she—
- Was enrolled as a full-time student at a school during any 5 months of 1992, or
 - Took a full-time, on-farm training course during any 5 months of 1992. The course had to be given by a school or a state, county, or local government agency.

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

Line 1, Column (d)

If your child was born **before 1974** and was permanently and totally disabled during any part of 1992, put a checkmark in column (d).

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

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

Line 1, Column (e)

If your child was born **before 1992**, you must enter his or her social security number in column (e). If your child doesn't have a number, apply for one by filing **Form SS-5** with your local Social Security Administration (SSA) office. It usually takes about 2 weeks to get a number.

If your child won't have a number by the time you are ready to file your return, ask the SSA to give you a receipt. When you file your return, enter "Applied for" in column (e). If the SSA gave you a receipt, attach a copy of it to your return.

Line 1, Column (g)

Enter the number of months your child lived with you in your home in the United States during 1992. Do not enter more than 12. Count temporary absences such as for school or vacation as time lived in your home. If the child lived with you for more than 6 but less than 7 months, enter "7" in this column.

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

Part III. Other Information

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

Line 2

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

Line 3

Enter the total amount you paid in 1992 for health insurance that covered at least one of your qualifying children even if the insurance covered you and other members of your family.

Example 1. You had health insurance at work that covered you, your spouse, and your qualifying child. You paid part of the cost for the insurance and your employer paid part. Your pay statements for 1992 show that you paid a total of \$500 for the health insurance. You should enter \$500 on line 3.

Example 2. You paid \$700 for health insurance in 1992. The insurance covered you and your spouse for the first 6 months and you, your spouse, and your qualifying child for the last 6 months. The total amount you paid for health insurance for the last 6 months of 1992 was \$350. You should enter \$350 on line 3.

Do not include on line 3—

- The Medicare tax withheld from your pay or the Medicare tax paid as part of the self-employment tax.
- Amounts paid to doctors, dentists, hospitals, etc.

- Amounts paid for prescription medicines and drugs.
- Amounts contributed under a cafeteria plan unless they are included in box 10 of your W-2 form(s).
- Any amount paid, reimbursed, or subsidized by Federal, state, or local governments or their subsidiary agencies or offices unless you must include that amount in your income.

Part IV. Figure Your Earned Income Credit

Line 4

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

Line 5

If you received any earned income that was not taxable, enter the total of that income on line 5. List the type and amount of this income on the dotted lines next to line 5. If you need more space, attach a statement. See **Nontaxable Earned Income** on page EIC-2.

Line 6

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

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

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

Lines 8-11

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

If you listed a qualifying child who was born in 1992, you can use that child to figure your basic credit even if you are also using that child to take the extra credit for a child born in 1992.

Lines 12-16

If you paid for health insurance in 1992 and the insurance covered at least one of your qualifying children, you can also take the health insurance credit.

Line 15. Enter the total amount you paid in 1992 for health insurance even if the insur-

ance covered you and other members of your family.

Example 1. You had health insurance at work that covered you, your spouse, and your qualifying child. You paid part of the cost for the insurance and your employer paid part. Your pay statements for 1992 show that you paid a total of \$500 for the health insurance. You should enter \$500 on line 15.

Example 2. You paid \$700 for health insurance in 1992. The insurance covered you and your spouse for the first 6 months and you, your spouse, and your qualifying child for the last 6 months. The total amount you paid for health insurance for the last 6 months of 1992 was \$350. You should enter \$350 on line 15.

Do not include on line 15—

- The Medicare tax withheld from your pay or the Medicare tax paid as part of the self-employment tax.
- Amounts paid to doctors, dentists, hospitals, etc.
- Amounts paid for prescription medicines and drugs.
- Amounts contributed under a cafeteria plan unless they were included in box 10 of your W-2 form(s).

- Any amount paid, reimbursed, or subsidized by Federal, state, or local governments or their subsidiary agencies or offices unless you must include that amount in your income.

Lines 17-19

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

- You listed in Part II of Schedule EIC a child born in 1992, AND
- You did not take the credit for child care expenses or the exclusion of employer-provided dependent care benefits on Form 2441 for the same child.

If you had more than one qualifying child born in 1992 (for example, twins), the amount of this credit does not change.

Line 20

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

Worksheet for Line 6 (keep for your records)

1. If you are filing Schedule SE:	
a. Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies	1a. _____
b. Enter the amount, if any, from Schedule SE, Section B, line 4b.	1b. _____
c. Add lines 1a and 1b	1c. _____
d. Enter the amount from Form 1040, line 25	1d. _____
e. Subtract line 1d from line 1c	1e. _____
2. If you are not filing Schedule SE because your net earnings from self-employment were less than \$400 or you had a net (loss):	
a. Enter any net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), line 15a	2a. _____
b. Enter any net profit or (loss) from Schedule C, line 31, Schedule C-EZ, line 3, and Schedule K-1 (Form 1065), line 15a (other than farming)	2b. _____
c. Add lines 2a and 2b. Enter the total even if a loss.	2c. _____
3. If you are filing Schedule C or C-EZ as a statutory employee, enter the amount from line 1 of that Schedule C or C-EZ	
3. _____	
4. Add lines 1e, 2c, and 3. Enter the total here and on Schedule EIC, line 6, even if a loss. If the result is a loss, enter it in parentheses and read the Caution below	
4. _____	

Caution: If line 6 of Schedule EIC is a loss, subtract it from the total of lines 4 and 5 and enter the result on line 7. If the result is zero or less, you **can't** take the earned income credit.

TABLE A—Basic Credit

1992 Earned Income Credit

Caution: This is not a tax table.

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

If the amount on Schedule EIC, line 7 or line 9, is—		And you listed—		If the amount on Schedule EIC, line 7 or line 9, is—		And you listed—		If the amount on Schedule EIC, line 7 or line 9, is—		And you listed—		If the amount on Schedule EIC, line 7 or line 9, is—		And you listed—	
At least	But less than	One child	Two children	At least	But less than	One child	Two children	At least	But less than	One child	Two children	At least	But less than	One child	Two children
\$1	\$50	\$4	\$5	\$2,800	\$2,850	\$497	\$520	\$5,600	\$5,650	\$990	\$1,035	\$12,700	\$12,750	\$1,212	\$1,267
50	100	13	14	2,850	2,900	506	529	5,650	5,700	999	1,044	12,750	12,800	1,206	1,261
100	150	22	23	2,900	2,950	515	538	5,700	5,750	1,008	1,053	12,800	12,850	1,200	1,254
150	200	31	32	2,950	3,000	524	547	5,750	5,800	1,016	1,063	12,850	12,900	1,193	1,248
200	250	40	41	3,000	3,050	532	557	5,800	5,850	1,025	1,072	12,900	12,950	1,187	1,241
250	300	48	51	3,050	3,100	541	566	5,850	5,900	1,034	1,081	12,950	13,000	1,181	1,235
300	350	57	60	3,100	3,150	550	575	5,900	5,950	1,043	1,090	13,000	13,050	1,175	1,228
350	400	66	69	3,150	3,200	559	584	5,950	6,000	1,052	1,099	13,050	13,100	1,168	1,221
400	450	75	78	3,200	3,250	568	593	6,000	6,050	1,060	1,109	13,100	13,150	1,162	1,215
450	500	84	87	3,250	3,300	576	603	6,050	6,100	1,069	1,118	13,150	13,200	1,156	1,208
500	550	92	97	3,300	3,350	585	612	6,100	6,150	1,078	1,127	13,200	13,250	1,149	1,202
550	600	101	106	3,350	3,400	594	621	6,150	6,200	1,087	1,136	13,250	13,300	1,143	1,195
600	650	110	115	3,400	3,450	603	630	6,200	6,250	1,096	1,145	13,300	13,350	1,137	1,189
650	700	119	124	3,450	3,500	612	639	6,250	6,300	1,104	1,155	13,350	13,400	1,131	1,182
700	750	128	133	3,500	3,550	620	649	6,300	6,350	1,113	1,164	13,400	13,450	1,124	1,175
750	800	136	143	3,550	3,600	629	658	6,350	6,400	1,122	1,173	13,450	13,500	1,118	1,169
800	850	145	152	3,600	3,650	638	667	6,400	6,450	1,131	1,182	13,500	13,550	1,112	1,162
850	900	154	161	3,650	3,700	647	676	6,450	6,500	1,140	1,191	13,550	13,600	1,105	1,156
900	950	163	170	3,700	3,750	656	685	6,500	6,550	1,148	1,201	13,600	13,650	1,099	1,149
950	1,000	172	179	3,750	3,800	664	695	6,550	6,600	1,157	1,210	13,650	13,700	1,093	1,143
1,000	1,050	180	189	3,800	3,850	673	704	6,600	6,650	1,166	1,219	13,700	13,750	1,087	1,136
1,050	1,100	189	198	3,850	3,900	682	713	6,650	6,700	1,175	1,228	13,750	13,800	1,080	1,129
1,100	1,150	198	207	3,900	3,950	691	722	6,700	6,750	1,184	1,237	13,800	13,850	1,074	1,123
1,150	1,200	207	216	3,950	4,000	700	731	6,750	6,800	1,192	1,247	13,850	13,900	1,068	1,116
1,200	1,250	216	225	4,000	4,050	708	741	6,800	6,850	1,201	1,256	13,900	13,950	1,061	1,110
1,250	1,300	224	235	4,050	4,100	717	750	6,850	6,900	1,210	1,265	13,950	14,000	1,055	1,103
1,300	1,350	233	244	4,100	4,150	726	759	6,900	6,950	1,219	1,274	14,000	14,050	1,049	1,097
1,350	1,400	242	253	4,150	4,200	735	768	6,950	7,000	1,228	1,283	14,050	14,100	1,043	1,090
1,400	1,450	251	262	4,200	4,250	744	777	7,000	7,050	1,236	1,293	14,100	14,150	1,036	1,083
1,450	1,500	260	271	4,250	4,300	752	787	7,050	7,100	1,245	1,302	14,150	14,200	1,030	1,077
1,500	1,550	268	281	4,300	4,350	761	796	7,100	7,150	1,254	1,311	14,200	14,250	1,024	1,070
1,550	1,600	277	290	4,350	4,400	770	805	7,150	7,200	1,263	1,320	14,250	14,300	1,017	1,064
1,600	1,650	286	299	4,400	4,450	779	814	7,200	7,250	1,272	1,329	14,300	14,350	1,011	1,057
1,650	1,700	295	308	4,450	4,500	788	823	7,250	7,300	1,280	1,339	14,350	14,400	1,005	1,051
1,700	1,750	304	317	4,500	4,550	796	833	7,300	7,350	1,289	1,348	14,400	14,450	999	1,044
1,750	1,800	312	327	4,550	4,600	805	842	7,350	7,400	1,298	1,357	14,450	14,500	992	1,037
1,800	1,850	321	336	4,600	4,650	814	851	7,400	7,450	1,307	1,366	14,500	14,550	986	1,031
1,850	1,900	330	345	4,650	4,700	823	860	7,450	7,500	1,316	1,375	14,550	14,600	980	1,024
1,900	1,950	339	354	4,700	4,750	832	869	7,500	11,850	1,324	1,384	14,600	14,650	973	1,018
1,950	2,000	348	363	4,750	4,800	840	879	11,850	11,900	1,319	1,379	14,650	14,700	967	1,011
2,000	2,050	356	373	4,800	4,850	849	888	11,900	11,950	1,313	1,373	14,700	14,750	961	1,005
2,050	2,100	365	382	4,850	4,900	858	897	11,950	12,000	1,307	1,366	14,750	14,800	955	998
2,100	2,150	374	391	4,900	4,950	867	906	12,000	12,050	1,300	1,359	14,800	14,850	948	991
2,150	2,200	383	400	4,950	5,000	876	915	12,050	12,100	1,294	1,353	14,850	14,900	942	985
2,200	2,250	392	409	5,000	5,050	884	925	12,100	12,150	1,288	1,346	TABLE A <i>(This table continues on next page.)</i>			
2,250	2,300	400	419	5,050	5,100	893	934	12,150	12,200	1,281	1,340				
2,300	2,350	409	428	5,100	5,150	902	943	12,200	12,250	1,275	1,333				
2,350	2,400	418	437	5,150	5,200	911	952	12,250	12,300	1,269	1,327				
2,400	2,450	427	446	5,200	5,250	920	961	12,300	12,350	1,263	1,320				
2,450	2,500	436	455	5,250	5,300	928	971	12,350	12,400	1,256	1,313				
2,500	2,550	444	465	5,300	5,350	937	980	12,400	12,450	1,250	1,307				
2,550	2,600	453	474	5,350	5,400	946	989	12,450	12,500	1,244	1,300				
2,600	2,650	462	483	5,400	5,450	955	998	12,500	12,550	1,237	1,294				
2,650	2,700	471	492	5,450	5,500	964	1,007	12,550	12,600	1,231	1,287				
2,700	2,750	480	501	5,500	5,550	972	1,017	12,600	12,650	1,225	1,281				
2,750	2,800	488	511	5,550	5,600	981	1,026	12,650	12,700	1,219	1,274				

1992 Earned Income Credit TABLE A—Basic Credit *Continued*

If the amount on Schedule EIC, line 7 or line 9, is—		And you listed—		If the amount on Schedule EIC, line 7 or line 9, is—		And you listed—		If the amount on Schedule EIC, line 7 or line 9, is—		And you listed—	
At least	But less than	One child	Two children	At least	But less than	One child	Two children	At least	But less than	One child	Two children
\$14,900	\$14,950	\$936	\$978	\$18,100	\$18,150	\$533	\$558	\$21,300	\$21,350	\$131	\$137
14,950	15,000	929	972	18,150	18,200	527	551	21,350	21,400	125	131
15,000	15,050	923	965	18,200	18,250	521	545	21,400	21,450	119	124
15,050	15,100	917	959	18,250	18,300	515	538	21,450	21,500	112	118
15,100	15,150	911	952	18,300	18,350	508	532	21,500	21,550	106	111
15,150	15,200	904	945	18,350	18,400	502	525	21,550	21,600	100	105
15,200	15,250	898	939	18,400	18,450	496	518	21,600	21,650	94	98
15,250	15,300	892	932	18,450	18,500	490	512	21,650	21,700	87	91
15,300	15,350	885	926	18,500	18,550	483	505	21,700	21,750	81	85
15,350	15,400	879	919	18,550	18,600	477	499	21,750	21,800	75	78
15,400	15,450	873	913	18,600	18,650	471	492	21,800	21,850	68	72
15,450	15,500	867	906	18,650	18,700	464	486	21,850	21,900	62	65
15,500	15,550	860	899	18,700	18,750	458	479	21,900	21,950	56	59
15,550	15,600	854	893	18,750	18,800	452	472	21,950	22,000	50	52
15,600	15,650	848	886	18,800	18,850	446	466	22,000	22,050	43	45
15,650	15,700	841	880	18,850	18,900	439	459	22,050	22,100	37	39
15,700	15,750	835	873	18,900	18,950	433	453	22,100	22,150	31	32
15,750	15,800	829	867	18,950	19,000	427	446	22,150	22,200	24	26
15,800	15,850	823	860	19,000	19,050	420	440	22,200	22,250	18	19
15,850	15,900	816	853	19,050	19,100	414	433	22,250	22,300	12	13
15,900	15,950	810	847	19,100	19,150	408	426	22,300	22,350	6	6
15,950	16,000	804	840	19,150	19,200	402	420	22,350	22,370	1	1
16,000	16,050	797	834	19,200	19,250	395	413				
16,050	16,100	791	827	19,250	19,300	389	407				
16,100	16,150	785	821	19,300	19,350	383	400				
16,150	16,200	779	814	19,350	19,400	376	394				
16,200	16,250	772	807	19,400	19,450	370	387				
16,250	16,300	766	801	19,450	19,500	364	380				
16,300	16,350	760	794	19,500	19,550	358	374				
16,350	16,400	753	788	19,550	19,600	351	367				
16,400	16,450	747	781	19,600	19,650	345	361				
16,450	16,500	741	775	19,650	19,700	339	354				
16,500	16,550	735	768	19,700	19,750	332	348				
16,550	16,600	728	762	19,750	19,800	326	341				
16,600	16,650	722	755	19,800	19,850	320	334				
16,650	16,700	716	748	19,850	19,900	314	328				
16,700	16,750	709	742	19,900	19,950	307	321				
16,750	16,800	703	735	19,950	20,000	301	315				
16,800	16,850	697	729	20,000	20,050	295	308				
16,850	16,900	691	722	20,050	20,100	288	302				
16,900	16,950	684	716	20,100	20,150	282	295				
16,950	17,000	678	709	20,150	20,200	276	288				
17,000	17,050	672	702	20,200	20,250	270	282				
17,050	17,100	665	696	20,250	20,300	263	275				
17,100	17,150	659	689	20,300	20,350	257	269				
17,150	17,200	653	683	20,350	20,400	251	262				
17,200	17,250	647	676	20,400	20,450	244	256				
17,250	17,300	640	670	20,450	20,500	238	249				
17,300	17,350	634	663	20,500	20,550	232	242				
17,350	17,400	628	656	20,550	20,600	226	236				
17,400	17,450	621	650	20,600	20,650	219	229				
17,450	17,500	615	643	20,650	20,700	213	223				
17,500	17,550	609	637	20,700	20,750	207	216				
17,550	17,600	603	630	20,750	20,800	200	210				
17,600	17,650	596	624	20,800	20,850	194	203				
17,650	17,700	590	617	20,850	20,900	188	196				
17,700	17,750	584	610	20,900	20,950	182	190				
17,750	17,800	577	604	20,950	21,000	175	183				
17,800	17,850	571	597	21,000	21,050	169	177				
17,850	17,900	565	591	21,050	21,100	163	170				
17,900	17,950	559	584	21,100	21,150	156	164				
17,950	18,000	552	578	21,150	21,200	150	157				
18,000	18,050	546	571	21,200	21,250	144	150				
18,050	18,100	540	564	21,250	21,300	138	144				

\$22,370 or more—you may not take the credit

TABLE A

TABLE B—Health Insurance Credit

1992 Earned Income Credit

Caution: This is not a tax table.

To find your health insurance credit: First, read down the "At least—But less than" columns and find the line that includes the amount you entered on line 7 or line 9 of Schedule EIC. Next, read across and find the credit. Then, enter the credit on Schedule EIC, line 12 or line 13, whichever applies.

If the amount on Schedule EIC, line 7 or line 9, is—			Your health insurance credit is—			If the amount on Schedule EIC, line 7 or line 9, is—			Your health insurance credit is—			If the amount on Schedule EIC, line 7 or line 9, is—			Your health insurance credit is—			If the amount on Schedule EIC, line 7 or line 9, is—			Your health insurance credit is—			
At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than		
\$1	\$50	\$2	\$3,800	\$3,850	\$230	\$11,900	\$11,950	\$448	\$15,700	\$15,750	\$285	\$19,500	\$19,550	\$122										
50	100	5	3,850	3,900	233	11,950	12,000	445	15,750	15,800	283	19,550	19,600	120										
100	150	8	3,900	3,950	236	12,000	12,050	443	15,800	15,850	280	19,600	19,650	118										
150	200	11	3,950	4,000	239	12,050	12,100	441	15,850	15,900	278	19,650	19,700	115										
200	250	14	4,000	4,050	242	12,100	12,150	439	15,900	15,950	276	19,700	19,750	113										
250	300	17	4,050	4,100	245	12,150	12,200	437	15,950	16,000	274	19,750	19,800	111										
300	350	20	4,100	4,150	248	12,200	12,250	435	16,000	16,050	272	19,800	19,850	109										
350	400	23	4,150	4,200	251	12,250	12,300	433	16,050	16,100	270	19,850	19,900	107										
400	450	26	4,200	4,250	254	12,300	12,350	430	16,100	16,150	268	19,900	19,950	105										
450	500	29	4,250	4,300	257	12,350	12,400	428	16,150	16,200	265	19,950	20,000	103										
500	550	32	4,300	4,350	260	12,400	12,450	426	16,200	16,250	263	20,000	20,050	100										
550	600	35	4,350	4,400	263	12,450	12,500	424	16,250	16,300	261	20,050	20,100	98										
600	650	38	4,400	4,450	266	12,500	12,550	422	16,300	16,350	259	20,100	20,150	96										
650	700	41	4,450	4,500	269	12,550	12,600	420	16,350	16,400	257	20,150	20,200	94										
700	750	44	4,500	4,550	272	12,600	12,650	418	16,400	16,450	255	20,200	20,250	92										
750	800	47	4,550	4,600	275	12,650	12,700	415	16,450	16,500	253	20,250	20,300	90										
800	850	50	4,600	4,650	278	12,700	12,750	413	16,500	16,550	250	20,300	20,350	88										
850	900	53	4,650	4,700	281	12,750	12,800	411	16,550	16,600	248	20,350	20,400	85										
900	950	56	4,700	4,750	284	12,800	12,850	409	16,600	16,650	246	20,400	20,450	83										
950	1,000	59	4,750	4,800	287	12,850	12,900	407	16,650	16,700	244	20,450	20,500	81										
1,000	1,050	62	4,800	4,850	290	12,900	12,950	405	16,700	16,750	242	20,500	20,550	79										
1,050	1,100	65	4,850	4,900	293	12,950	13,000	403	16,750	16,800	240	20,550	20,600	77										
1,100	1,150	68	4,900	4,950	296	13,000	13,050	400	16,800	16,850	238	20,600	20,650	75										
1,150	1,200	71	4,950	5,000	299	13,050	13,100	398	16,850	16,900	235	20,650	20,700	73										
1,200	1,250	74	5,000	5,050	302	13,100	13,150	396	16,900	16,950	233	20,700	20,750	70										
1,250	1,300	77	5,050	5,100	305	13,150	13,200	394	16,950	17,000	231	20,750	20,800	68										
1,300	1,350	80	5,100	5,150	308	13,200	13,250	392	17,000	17,050	229	20,800	20,850	66										
1,350	1,400	83	5,150	5,200	311	13,250	13,300	390	17,050	17,100	227	20,850	20,900	64										
1,400	1,450	86	5,200	5,250	314	13,300	13,350	388	17,100	17,150	225	20,900	20,950	62										
1,450	1,500	89	5,250	5,300	317	13,350	13,400	385	17,150	17,200	223	20,950	21,000	60										
1,500	1,550	92	5,300	5,350	320	13,400	13,450	383	17,200	17,250	220	21,000	21,050	58										
1,550	1,600	95	5,350	5,400	323	13,450	13,500	381	17,250	17,300	218	21,050	21,100	55										
1,600	1,650	98	5,400	5,450	326	13,500	13,550	379	17,300	17,350	216	21,100	21,150	53										
1,650	1,700	101	5,450	5,500	329	13,550	13,600	377	17,350	17,400	214	21,150	21,200	51										
1,700	1,750	104	5,500	5,550	332	13,600	13,650	375	17,400	17,450	212	21,200	21,250	49										
1,750	1,800	107	5,550	5,600	335	13,650	13,700	373	17,450	17,500	210	21,250	21,300	47										
1,800	1,850	110	5,600	5,650	338	13,700	13,750	370	17,500	17,550	208	21,300	21,350	45										
1,850	1,900	113	5,650	5,700	341	13,750	13,800	368	17,550	17,600	205	21,350	21,400	43										
1,900	1,950	116	5,700	5,750	344	13,800	13,850	366	17,600	17,650	203	21,400	21,450	40										
1,950	2,000	119	5,750	5,800	347	13,850	13,900	364	17,650	17,700	201	21,450	21,500	38										
2,000	2,050	122	5,800	5,850	350	13,900	13,950	362	17,700	17,750	199	21,500	21,550	36										
2,050	2,100	125	5,850	5,900	353	13,950	14,000	360	17,750	17,800	197	21,550	21,600	34										
2,100	2,150	128	5,900	5,950	356	14,000	14,050	358	17,800	17,850	195	21,600	21,650	32										
2,150	2,200	131	5,950	6,000	359	14,050	14,100	355	17,850	17,900	193	21,650	21,700	30										
2,200	2,250	134	6,000	6,050	362	14,100	14,150	353	17,900	17,950	190	21,700	21,750	28										
2,250	2,300	137	6,050	6,100	365	14,150	14,200	351	17,950	18,000	188	21,750	21,800	25										
2,300	2,350	140	6,100	6,150	368	14,200	14,250	349	18,000	18,050	186	21,800	21,850	23										
2,350	2,400	143	6,150	6,200	371	14,250	14,300	347	18,050	18,100	184	21,850	21,900	21										
2,400	2,450	146	6,200	6,250	374	14,300	14,350	345	18,100	18,150	182	21,900	21,950	19										
2,450	2,500	149	6,250	6,300	377	14,350	14,400	343	18,150	18,200	180	21,950	22,000	17										
2,500	2,550	152	6,300	6,350	380	14,400	14,450	340	18,200	18,250	178	22,000	22,050	15										
2,550	2,600	155	6,350	6,400	383	14,450	14,500	338	18,250	18,300	175	22,050	22,100	13										
2,600	2,650	158	6,400	6,450	386	14,500	14,550	336	18,300	18,350	173	22,100	22,150	10										
2,650	2,700	161	6,450	6,500	389	14,550	14,600	334	18,350	18,400	171	22,150	22,200	8										
2,700	2,750	164	6,500	6,550	392	14,600	14,650	332	18,400	18,450	169	22,200	22,250	6										
2,750	2,800	167	6,550	6,600	395	14,650	14,700	330	18,450	18,500	167	22,250	22,300	4										
2,800	2,850	170	6,600	6,650	398	14,700	14,750	328	18,500	18,550	165	22,300	22,350	2										
2,850	2,900	173	6,650	6,700	401	14,750	14,800	325	18,550	18,600	163	22,350	22,370	1										
2,900	2,950	176	6,700	6,750	404	14,800	14,850	323	18,600	18,650	160													
2,950	3,000	179	6,750	6,800	407	14,850	14,900	321	18,650	18,700	158													
3,000	3,050	182	6,800	6,850	410	14,900	14,950	319	18,700	18,750	156													
3,050	3,100	185	6,850	6,900	413	14,950	15,000	317	18,750	18,800	154													
3,100	3,150	188	6,900	6,950	416	15,000	15,050	315	18,800	18,850	152					</								

TABLE C—Extra Credit for Child Born in 1992

1992 Earned Income Credit

Caution: This is not a tax table.

To find your extra credit for a child born in 1992: First, read down the "At least—But less than" columns and find the line that includes the amount you entered on line 7 or line 9 of Schedule EIC. Next, read across and find the credit. Then, enter the credit on Schedule EIC, line 17 or line 18, whichever applies.

If the amount on Schedule EIC, line 7 or line 9, is—		Your credit for a child born in 1992 is—	If the amount on Schedule EIC, line 7 or line 9, is—		Your credit for a child born in 1992 is—	If the amount on Schedule EIC, line 7 or line 9, is—		Your credit for a child born in 1992 is—	If the amount on Schedule EIC, line 7 or line 9, is—		Your credit for a child born in 1992 is—			
At least	But less than		At least	But less than		At least	But less than		At least	But less than				
\$1	\$50	\$1	\$3,800	\$3,850	\$191	\$11,900	\$11,950	\$373	\$15,700	\$15,750	\$237	\$19,500	\$19,550	\$102
50	100	4	3,850	3,900	194	11,950	12,000	371	15,750	15,800	236	19,550	19,600	100
100	150	6	3,900	3,950	196	12,000	12,050	369	15,800	15,850	234	19,600	19,650	98
150	200	9	3,950	4,000	199	12,050	12,100	368	15,850	15,900	232	19,650	19,700	96
200	250	11	4,000	4,050	201	12,100	12,150	366	15,900	15,950	230	19,700	19,750	95
250	300	14	4,050	4,100	204	12,150	12,200	364	15,950	16,000	228	19,750	19,800	93
300	350	16	4,100	4,150	206	12,200	12,250	362	16,000	16,050	227	19,800	19,850	91
350	400	19	4,150	4,200	209	12,250	12,300	360	16,050	16,100	225	19,850	19,900	89
400	450	21	4,200	4,250	211	12,300	12,350	359	16,100	16,150	223	19,900	19,950	87
450	500	24	4,250	4,300	214	12,350	12,400	357	16,150	16,200	221	19,950	20,000	86
500	550	26	4,300	4,350	216	12,400	12,450	355	16,200	16,250	219	20,000	20,050	84
550	600	29	4,350	4,400	219	12,450	12,500	353	16,250	16,300	218	20,050	20,100	82
600	650	31	4,400	4,450	221	12,500	12,550	352	16,300	16,350	216	20,100	20,150	80
650	700	34	4,450	4,500	224	12,550	12,600	350	16,350	16,400	214	20,150	20,200	78
700	750	36	4,500	4,550	226	12,600	12,650	348	16,400	16,450	212	20,200	20,250	77
750	800	39	4,550	4,600	229	12,650	12,700	346	16,450	16,500	211	20,250	20,300	75
800	850	41	4,600	4,650	231	12,700	12,750	344	16,500	16,550	209	20,300	20,350	73
850	900	44	4,650	4,700	234	12,750	12,800	343	16,550	16,600	207	20,350	20,400	71
900	950	46	4,700	4,750	236	12,800	12,850	341	16,600	16,650	205	20,400	20,450	70
950	1,000	49	4,750	4,800	239	12,850	12,900	339	16,650	16,700	203	20,450	20,500	68
1,000	1,050	51	4,800	4,850	241	12,900	12,950	337	16,700	16,750	202	20,500	20,550	66
1,050	1,100	54	4,850	4,900	244	12,950	13,000	335	16,750	16,800	200	20,550	20,600	64
1,100	1,150	56	4,900	4,950	246	13,000	13,050	334	16,800	16,850	198	20,600	20,650	62
1,150	1,200	59	4,950	5,000	249	13,050	13,100	332	16,850	16,900	196	20,650	20,700	61
1,200	1,250	61	5,000	5,050	251	13,100	13,150	330	16,900	16,950	194	20,700	20,750	59
1,250	1,300	64	5,050	5,100	254	13,150	13,200	328	16,950	17,000	193	20,750	20,800	57
1,300	1,350	66	5,100	5,150	256	13,200	13,250	327	17,000	17,050	191	20,800	20,850	55
1,350	1,400	69	5,150	5,200	259	13,250	13,300	325	17,050	17,100	189	20,850	20,900	53
1,400	1,450	71	5,200	5,250	261	13,300	13,350	323	17,100	17,150	187	20,900	20,950	52
1,450	1,500	74	5,250	5,300	264	13,350	13,400	321	17,150	17,200	186	20,950	21,000	50
1,500	1,550	76	5,300	5,350	266	13,400	13,450	319	17,200	17,250	184	21,000	21,050	48
1,550	1,600	79	5,350	5,400	269	13,450	13,500	318	17,250	17,300	182	21,050	21,100	46
1,600	1,650	81	5,400	5,450	271	13,500	13,550	316	17,300	17,350	180	21,100	21,150	45
1,650	1,700	84	5,450	5,500	274	13,550	13,600	314	17,350	17,400	178	21,150	21,200	43
1,700	1,750	86	5,500	5,550	276	13,600	13,650	312	17,400	17,450	177	21,200	21,250	41
1,750	1,800	89	5,550	5,600	279	13,650	13,700	310	17,450	17,500	175	21,250	21,300	39
1,800	1,850	91	5,600	5,650	281	13,700	13,750	309	17,500	17,550	173	21,300	21,350	37
1,850	1,900	94	5,650	5,700	284	13,750	13,800	307	17,550	17,600	171	21,350	21,400	36
1,900	1,950	96	5,700	5,750	286	13,800	13,850	305	17,600	17,650	169	21,400	21,450	34
1,950	2,000	99	5,750	5,800	289	13,850	13,900	303	17,650	17,700	168	21,450	21,500	32
2,000	2,050	101	5,800	5,850	291	13,900	13,950	302	17,700	17,750	166	21,500	21,550	30
2,050	2,100	104	5,850	5,900	294	13,950	14,000	300	17,750	17,800	164	21,550	21,600	28
2,100	2,150	106	5,900	5,950	296	14,000	14,050	298	17,800	17,850	162	21,600	21,650	27
2,150	2,200	109	5,950	6,000	299	14,050	14,100	296	17,850	17,900	161	21,650	21,700	25
2,200	2,250	111	6,000	6,050	301	14,100	14,150	294	17,900	17,950	159	21,700	21,750	23
2,250	2,300	114	6,050	6,100	304	14,150	14,200	293	17,950	18,000	157	21,750	21,800	21
2,300	2,350	116	6,100	6,150	306	14,200	14,250	291	18,000	18,050	155	21,800	21,850	20
2,350	2,400	119	6,150	6,200	309	14,250	14,300	289	18,050	18,100	153	21,850	21,900	18
2,400	2,450	121	6,200	6,250	311	14,300	14,350	287	18,100	18,150	152	21,900	21,950	16
2,450	2,500	124	6,250	6,300	314	14,350	14,400	286	18,150	18,200	150	21,950	22,000	14
2,500	2,550	126	6,300	6,350	316	14,400	14,450	284	18,200	18,250	148	22,000	22,050	12
2,550	2,600	129	6,350	6,400	319	14,450	14,500	282	18,250	18,300	146	22,050	22,100	11
2,600	2,650	131	6,400	6,450	321	14,500	14,550	280	18,300	18,350	144	22,100	22,150	9
2,650	2,700	134	6,450	6,500	324	14,550	14,600	278	18,350	18,400	143	22,150	22,200	7
2,700	2,750	136	6,500	6,550	326	14,600	14,650	277	18,400	18,450	141	22,200	22,250	5
2,750	2,800	139	6,550	6,600	329	14,650	14,700	275	18,450	18,500	139	22,250	22,300	3
2,800	2,850	141	6,600	6,650	331	14,700	14,750	273	18,500	18,550	137	22,300	22,350	2
2,850	2,900	144	6,650	6,700	334	14,750	14,800	271	18,550	18,600	136	22,350	22,370	1
2,900	2,950	146	6,700	6,750	336	14,800	14,850	269	18,600	18,650	134			
2,950	3,000	149	6,750	6,800	339	14,850	14,900	268	18,650	18,700	132			
3,000	3,050	151	6,800	6,850	341	14,900	14,950	266	18,700	18,750	130			
3,050	3,100	154	6,850	6,900	344	14,950	15,000	264	18,750	18,800	128			
3,100	3,150	156	6,900	6,950	346	15,000	15,050	262	18,800	18,850	127			
3,150	3,200	159	6,950	7,000	349	15,050	15,100	261	18,850	18,900	125			
3,200	3,250	161	7,000	7,050	351	15,100	15,150	259	18,900	18,950	123			
3,250	3,300	164	7,050	7,100	354	15,150	15,200	257	18,950	19,000	121			
3,300	3,350	166	7,100	7,150	356	15,200	15,250	255	19,000	19,050	119			
3,350	3,400	169	7,150	7,200	359	15,250	15,300	253	19,050	19,100	118			
3,400	3,450	171	7,200	7,250	361	15,300	15,350	252	19,100	19,150	116			
3,450	3,500	174	7,250	7,300	364	15,350	15,400	250	19,150	19,200	114			
3,500	3,550	176	7,300	7,350	366	15,400	15,450	248	19,200	19,250	112			
3,550	3,600	179	7,350	7,400	369	15,450	15,500	246	19,250	19,300	111			
3,600	3,650	181	7,400	7,450	371	15,500	15,550	244	19,300	19,350	109			
3,650	3,700	184	7,450	7,500	374	15,550	15,600	243	19,350	19,400	107			
3,700	3,750	186	7,500	11,850	376	15,600	15,650	241	19,400	19,450	105			
3,750	3,800	189	11,850	11,900	375	15,650	15,700	239	19,450	19,500	103			

\$22,370 or more—you may not take the credit

TABLE C

Instructions for Schedule F, Profit or Loss From Farming

Use Schedule F to report farm income and expenses. File it with Form 1040, 1041, or 1065.

This activity may subject you to state and local taxes and other requirements such as business licenses and fees. Check with your state and local governments for more information.

Additional Information. Pub. 225, *Farmer's Tax Guide*, has samples of filled-in forms and schedules, and lists important dates that apply to farmers.

General Instructions

A Change To Note

The standard mileage rate has been increased to 28 cents for each mile of business use in 1992. See the instructions for line 12 on page F-3.

Other Schedules and Forms You May Have To File

Schedule E to report rental income from pasture land that is based on a flat charge. Report this income in Part I of Schedule E. But report on line 10 of Schedule F pasture income received from taking care of someone else's livestock.

Schedule SE to pay self-employment tax on income from any trade or business.

Form 4562 to claim depreciation on assets placed in service in 1992, to claim amortization that began in 1992, or to report information on listed property.

Form 4684 to report a casualty or theft gain or loss involving farm business property, including livestock held for draft, breeding, sport, or dairy purposes.

See Pub. 225 for more information on how to report various farm losses, such as losses due to death of livestock or damage to crops or other farm property.

Form 4797 to report sales, exchanges, or involuntary conversions (other than from a casualty or theft) of certain farm property. Also use this form to report sales of livestock held for draft, breeding, sport, or dairy purposes.

Form 4835 to report rental income based on farm production or crop shares if you did not materially participate (for self-employment tax purposes) in the management or operation of the farm. This income is not subject to self-employment tax. See Pub. 225.

Form 8824 to report like-kind exchanges.

Heavy Vehicle Use Tax

If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a Federal highway motor vehicle use tax. Get **Form 2290**, Heavy Vehicle Use Tax Return, to see if you owe this tax.

Information Returns

You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, annuities, and pensions. You may also have to file an information return if you sold \$5,000 or more of

consumer products to a person on a buy-sell, deposit-commission, or other similar basis for resale. For more information, get the **Instructions for Forms 1099, 1098, 5498, and W-2G**.

If you received cash of more than \$10,000 in one or more related transactions in your farming business, you may have to file **Form 8300**. For details, get **Pub. 1544**, Reporting Cash Payments of Over \$10,000.

Estimated Tax

If you had to make estimated tax payments in 1992 and you underpaid your estimated tax, you will not be charged a penalty if **both** of the following apply:

1. Your gross farming or fishing income for 1991 or 1992 is at least two-thirds of your gross income.
2. You file your 1992 tax return and pay the tax due by March 1, 1993.

For more details, see Pub. 225.

Specific Instructions

Filers of Forms 1041 and 1065

Do not complete the block labeled "Social security number (SSN)." Instead, enter your employer identification number (EIN) on line D.

Lines A and B

On line A, enter your principal crop or activity for the current year.

On line B, enter one of the 15 principal agricultural activity codes listed in Part IV on page 2 of Schedule F. Select the code that best describes the source of most of your income. **Field crop** includes the production of grains such as wheat, rice, feed corn, soybeans, barley, rye, and lentils; and nongrains such as cotton, tobacco, sugar, and Irish potatoes.

Line C

Under the **cash method**, include all income in the year you actually get it. Generally, deduct expenses when you pay them. If you use the cash method, check the box labeled "Cash." Complete Parts I and II of Schedule F.

Under the **accrual method**, include income in the year you earn it. It does not matter when you get it. Deduct expenses when you incur them. If you use the accrual

method, check the box labeled "Accrual." Complete Parts II, III, and line 11 of Schedule F.

Other rules apply that determine the timing of deductions based on economic performance. Get **Pub. 538**, Accounting Periods and Methods, for details.

Farming syndicates cannot use the cash method of accounting. A farming syndicate may be a partnership, any other noncorporate group, or an S corporation if:

1. The interests in the business have ever been for sale in a way that would require registration with any Federal or state agency, or
2. More than 35% of the loss during any tax year is shared by limited partners or limited entrepreneurs. A **limited partner** is one who can lose only the amount invested or required to be invested in the partnership. A **limited entrepreneur** is a person who does not take any active part in managing the business.

Line D

You need an employer identification number (EIN) only if you had a Keogh plan or were required to file an employment, excise, fiduciary, partnership, or alcohol, tobacco, or firearms tax return. If you need an EIN, file **Form SS-4**, Application for Employer Identification Number.

If you do not have an EIN, leave line D blank. **Do not** enter your SSN.

Line E

Material Participation. For the definition of material participation for purposes of the passive activity rules, see the instructions for **Schedule C** (Form 1040), line I, on page C-2.

If you meet any of the material participation tests described in the line I instructions for Schedule C, check the "Yes" box.

If you are a retired or disabled farmer, you are treated as materially participating in a farming business if you materially participated 5 of the 8 years preceding your retirement or disability. Also, a surviving spouse is treated as materially participating in a farming activity if the real property used for farming meets the estate tax rules for special valuation of farm property passed from a qualifying decedent, and the surviving spouse actively manages the farm.

Check the "No" box if you did not materially participate. If you checked "No" and you have a loss from this business, see **Limit on Losses** on page F-2. If you have a profit from this business activity but have current-year losses from other passive activities or prior year unallowed passive activity losses,

see the instructions for **Form 8582**, Passive Activity Loss Limitations.

Limit on Losses. If you checked the "No" box on line E and you have a loss from this business, you may have to use Form 8582 to figure your allowable loss, if any, to enter on Schedule F, line 36. Generally, you can deduct losses from passive activities only to the extent of income from passive activities.

For more details, get **Pub. 925**, Passive Activity and At-Risk Rules.

Part I. Farm Income—Cash Method

In Part I, show income received for items listed on lines 1 through 10. Count both the cash actually or constructively received and the fair market value of goods or other property received for these items.

Income is constructively received when it is credited to your account or set aside for you to use.

If you ran the farm yourself and received rents based on farm production or crop shares, report these rents as income on line 4.

Sales of Livestock Because of Drought

If you sold livestock because of a drought, you can count the income from the sale in the year after the drought, instead of the year of the sale. You can do this if **all** of the following apply:

- Your main business is farming.
- You can show that you sold the livestock only because of the drought.
- Your area qualified for Federal aid.

Information Returns

If you received information returns (Forms 1099 or CCC-182) showing amounts paid to you, first determine if the amounts are to be included with farm income. Then, use the following chart to determine where to report the income on Schedule F. Include the Form 1099 or CCC-182 amounts with any other income reported on that line.

Information return	Where to report
Form 1099-PATR	Line 5a
Form 1099-A	Line 7b
Form 1099-MISC (for crop insurance)	Line 8a
Forms 1099-G or CCC-182 (for disaster payments)	Line 8a
Forms 1099-G or CCC-182 (for other agricultural program payments)	Line 6a

You may also receive **Form 1099-MISC** for other types of income. In this case, report it on whichever line best describes the income. For example, if you received a Form 1099-MISC for custom farming work, include this amount on line 9, "Custom hire (machine work) income."

Lines 1 and 2

On line 1, show amounts received from sales of livestock and other items bought for resale. On line 2, show the cost or other basis of the livestock and other items you actually sold.

Line 4

Show amounts received from sales of livestock, produce, grains, and other products you raised.

Lines 5a and 5b

If you received distributions from a cooperative in 1992, you should receive **Form 1099-PATR**. On line 5a, show your total distributions from cooperatives. This includes patronage dividends, nonpatronage distributions, per-unit retain allocations, and redemption of nonqualified notices and per-unit retain allocations.

Show patronage dividends (distributions) received in cash, and the dollar amount of qualified written notices of allocation. If you received property as patronage dividends, report the fair market value of the property as income. Include cash advances received from a marketing cooperative. If you received per-unit retains in cash, show the amount of cash. If you received qualified per-unit retain certificates, show the stated dollar amount of the certificate.

Do not include as income on line 5b patronage dividends from buying personal or family items, capital assets, or depreciable assets. Enter these amounts on line 5a only. If you do not report patronage dividends from these items as income, you must subtract the amount of the dividend from the cost or other basis of these items.

Lines 6a and 6b

Enter on line 6a the TOTAL of the following amounts. These are government payments you received, usually reported to you on **Form 1099-G**. You may also receive Form CCC-182 from the Department of Agriculture showing the amounts and types of payments made to you.

- Price support payments.
- Diversion payments.
- Cost-share payments (sight drafts).
- Payments in the form of materials (such as fertilizer or lime) or services (such as grading or building dams).
- Face value of commodity credit certificates (often called "generic" or "PIK" certificates).

On line 6b, report only the taxable amount. For example, if you qualify to exclude payments received under certain cost-sharing conservation programs (see Pub. 225), do not include these payments on line 6b.

Lines 7a through 7c

Commodity Credit Corporation (CCC) Loans. Generally, you do not report CCC loan proceeds as income. However, if you pledge part or all of your production to secure a CCC loan, you may elect to report the loan proceeds as income in the year you

receive them, instead of the year you sell the crop. If you make this election (or made the election in a prior year), report loan proceeds you received in 1992 on line 7a and attach a statement to your return showing the details of the loan(s).

What If I Forfeited a CCC Loan? Include the full amount forfeited on line 7b, even if you reported the loan proceeds as income.

If you **did not** elect to report the loan proceeds as income, also include the forfeited amount on line 7c.

If you **did** elect to report the loan proceeds as income, you generally will not have an entry on line 7c. But if the amount forfeited is different from your basis in the commodity, you may have an entry on line 7c.

What If I Repaid a CCC Loan With CCC Certificates? Include on line 7b the amount of any CCC loan you repaid with certificates, even if you reported the loan proceeds as income.

If you **did not** elect to report the CCC loan proceeds as income, include on line 7c the amount of the loan you repaid with the certificates minus your basis in those certificates. Your basis in certificates is the face value of the certificates you included as income, or the amount you paid for them.

If you elected to report the loan proceeds as income, do not include on line 7c the amount of the loan you repaid with the certificates.

For more information on the tax consequences of electing to report CCC loan proceeds as income, forfeiting CCC loans, and repaying CCC loans with certificates, see Pub. 225.

Lines 8a through 8d

In general, you must report crop insurance proceeds in the year you receive them. Federal crop disaster payments are treated as crop insurance proceeds. However, if 1992 was the year of damage, you may elect to include certain proceeds in income for 1993. To make this election, check the box on line 8c and attach a statement to your return. See Pub. 225 for a description of the proceeds for which an election may be made and for what you must include in your statement.

Generally, if you elect to defer any eligible crop insurance proceeds, you must defer all such crop insurance proceeds (including Federal disaster payments).

Enter on line 8a the TOTAL crop insurance proceeds you received in 1992, even if you elect to include them in income for 1993.

Enter on line 8b the taxable amount of the proceeds you received in 1992. Do not include proceeds you elect to include in income for 1993.

Enter on line 8d the amount, if any, of crop insurance proceeds you received in 1991 and elected to include in income for 1992.

Line 9

Enter on this line the income you received for custom hire (machine work).

Line 10

Use this line to report income not shown on lines 1 through 9. For example, include the following income items on line 10:

- Illegal Federal irrigation subsidies. See Pub. 225.
- Bartering income.
- Income from discharge of indebtedness. Generally, if a debt is canceled or forgiven, you must include the canceled amount in income. However, certain solvent farmers may exclude from income discharged qualified farm indebtedness. For information on whether you must include in income any discharge of indebtedness, see Pub. 225.
- State gasoline or fuel tax refund you got in 1992.
- The amount of credit for Federal tax paid on fuels claimed on your 1991 Form 1040.
- The amount of credit for alcohol used as a fuel that was entered on **Form 6478**.

Report the gain or loss on the sale of commodity futures contracts on this line if the contracts were made to protect you from price changes. These are a form of business insurance and are considered hedges. If you had a loss in a closed futures contract, enclose it in parentheses.

Caution: For property acquired and hedging positions established, you must clearly identify on your books and records that the transaction was a hedging transaction.

Purchase or sales contracts are not true hedges if they offset losses that already occurred. If you bought or sold commodity futures with the hope of making a profit due to favorable price changes, do not report the profit or loss on this line. Report it on **Form 6781**.

Part II. Farm Expenses

Do not deduct:

- Personal or living expenses (such as taxes, insurance, or repairs on your home) that do not produce farm income.
- Expenses of raising anything you or your family used.
- The value of animals you raised that died.
- Loss of inventory.
- Personal losses.

If you were repaid for any part of an expense, you must subtract the amount you were repaid from the deduction.

Capitalizing Costs of Property. If you produced real or tangible personal property or acquired property for resale, certain expenses must be included in inventory costs or capitalized. These expenses include the direct costs of the property and the share of any indirect costs allocable to that property. However, these rules generally do not apply to:

1. Expenses of raising animals,
2. Expenses of producing any plant that has a preproductive period of 2 years or less, or
3. Expenses of replanting certain crops if they were lost or damaged by reason of freezing temperatures, disease, drought, pests, or casualty.

Note: Exceptions 1 and 2 above do not apply to tax shelters, farm syndicates, or partnerships required to use the accrual method of accounting under Internal Revenue Code section 447 or 448.

But you may be able to deduct rather than capitalize the expenses of producing a plant with a preproductive period of more than 2 years. See **Election To Deduct Certain Preproductive Period Expenses** below.

Do not reduce your deductions on lines 12 through 34e by the preproductive period expenses you are required to capitalize. Instead, enter the total amount capitalized in parentheses on line 34f. See **Preproductive Period Expenses** on page F-5 for more details.

If you revoked a prior election to deduct preproductive period expenses for animals, you must continue to apply the alternative depreciation rules to property placed in service while your election was in effect. Also, the expenses you previously chose to deduct will have to be recaptured as ordinary income when you dispose of the animals. If you revoked a prior election to use the simplified method of capitalizing the costs of raising female beef or dairy cattle, you must continue to amortize the costs capitalized in tax years beginning before 1989.

Election To Deduct Certain Preproductive Period Expenses. If the preproductive period of any plant you produce is more than 2 years, you may choose to currently deduct the expenses rather than capitalize them. But you may not make this election for the costs of planting or growing citrus or almond groves that are incurred before the end of the 4th tax year beginning with the tax year you planted them in their permanent grove. By deducting the preproductive period expenses for which you may make this election, you are treated as having made the election.

Note: In the case of a partnership or S corporation, the election must be made by the partner or shareholder. This election may not be made by tax shelters, farm syndicates, or partners in partnerships required to use the accrual method of accounting under Internal Revenue Code section 447 or 448.

If you make the election to deduct preproductive expenses for plants, any gain you realize when disposing of the plants is ordinary income up to the amount of the preproductive expenses you deducted. Also, the alternative depreciation rules apply to property placed in service in any tax year your election is in effect. Unless you obtain the consent of the IRS, you must make this election for the first tax year in which you engage in a farming business involving the production of property subject to the capitalization rules. You may not revoke this election without the consent of the IRS.

For more information, see Pub. 225.

Prepaid Farming Expenses. Generally, if you use the cash method of accounting and your prepaid expenses are more than 50% of your other deductible farming expenses, your expenses for feed, seed, fertilizer, and other similar farm supplies are deductible only in the year that you actually use them. The cost of poultry bought for use in the business must be spread over 12 months or the useful life of the poultry, whichever is less. The cost of poultry bought for resale is

deductible in the year the poultry is sold or otherwise disposed of. For an exception to this rule and additional information on prepaid expenses, see Pub. 225.

Line 12

You can deduct the actual cost of running your car or truck, or take the standard mileage rate. You **must** use actual costs if you did not own the vehicle or if you used more than one vehicle simultaneously in your business (such as in fleet operations).

If you deduct actual costs, include on line 12 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc. Show depreciation on line 16 and rent or lease payments on line 26a.

If you want to take the standard mileage rate, multiply the number of business miles by 28 cents a mile. Add to this amount your parking fees and tolls, and enter the total on line 12.

If you claim any car or truck expenses (actual or the standard mileage rate), you must provide the information requested in Part V of Form 4562 and attach Form 4562 to your return.

For more details, get **Pub. 917**, Business Use of a Car.

Line 14

Amounts you spent to conserve soil or water, or to prevent erosion of your land can be deducted only if the expenses are consistent with a conservation plan approved by the Soil Conservation Service (SCS) of the Department of Agriculture for the area in which your land is located. If no plan exists, the expenses must be consistent with a plan of a comparable state agency. You must attach **Form 8645**, Soil and Water Conservation Plan Certification, to your return if you claim this deduction.

Do not deduct expenses you pay or incur to drain or fill wetlands or to prepare land for center pivot irrigation systems.

The amount you deduct may not exceed 25% of your gross income from farming (excluding certain gains from selling assets such as farm machinery and land). If your conservation expenses are more than the limit, carry the excess over to following years. Attach a copy of the original Form 8645 to your return for each carryover year you claim the deduction.

Line 15

Enter amounts paid for custom hire or machine work (the machine operator furnished the equipment). Do not include amounts paid for rental or lease of equipment that you operated yourself; report those amounts on line 26a.

Line 16

You can deduct depreciation of buildings, improvements, cars and trucks, machinery, and other farm equipment of a permanent nature.

Do not deduct depreciation on your home, furniture, or other personal items, land, livestock you bought or raised for resale, or other property in your inventory.

You may also choose under Internal Revenue Code section 179 to expense a portion of the cost of certain tangible property you bought in 1992 for use in your business.

For more details, including when you must complete and attach **Form 4562**, see the instructions for **Schedule C** (Form 1040), line 13, on page C-3.

Line 17

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 25. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs.

Do not include on line 17 any contributions you made on your behalf as a self-employed person to an accident and health plan or for group-term life insurance. You may be able to deduct on Form 1040, line 26, part of the amount you paid for health insurance on behalf of yourself, your spouse, and dependents, even if you do not itemize your deductions. See the Form 1040 instructions on page 20, for more details.

Line 18

Generally, you cannot currently deduct expenses for feed to be consumed by your livestock in a later tax year. See **Prepaid Farming Expenses** on page F-3.

Line 20

Do not include as freight paid the cost of transportation incurred in purchasing livestock held for resale. Instead, add these costs to the cost of the livestock, and deduct them when the livestock are sold.

Line 22

Deduct premiums paid for farm business insurance on line 22. Deduct on line 17 amounts paid for employee accident and health insurance.

Do not deduct amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability.

Lines 23a and 23b

Interest Allocation Rules. The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted on the correct line of your return and gets the right tax treatment. These rules could affect how much interest you are allowed to deduct on Schedule F.

Generally, you allocate interest expense by tracing how the proceeds of the loan are used. Get **Pub. 535**, Business Expenses, for details.

If you paid interest on a debt secured by your main home, and any of the proceeds from that debt were used in your farming business, see Pub. 535 to figure the amount that is deductible on Schedule F.

If you have a mortgage on real property used in your farming business (other than

your main home), enter on line 23a the interest you paid for 1992 to banks or other financial institutions for which you received a **Form 1098**, Mortgage Interest Statement.

Note: *If the recipient was not a financial institution or you did not receive a Form 1098 from the recipient, report your mortgage interest on line 23b.*

If you paid \$600 or more of interest on this mortgage, the recipient should send you a Form 1098 or similar statement showing the total interest received from you during 1992. This statement must be sent to you by February 1, 1993. If you paid more mortgage interest to financial institutions than is shown on Form 1098 or similar statement, see Pub. 535 to find out if you can deduct the additional interest. If you can, enter the amount on line 23a. Attach a statement to your return explaining the difference and write "See attached" in the left margin next to line 23a.

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage and the other person received the Form 1098, report your share of the interest on line 23b. Attach a statement to your return showing the name and address of the person who received the Form 1098. In the left margin, next to line 23b, write "See attached."

On line 23b, enter the interest on other loans related to this farm. Do not deduct interest you prepaid in 1992 for later years; include only the part that applies to 1992.

Line 24

Enter amounts you paid for farm labor minus the amount of any jobs credit you claimed on **Form 5884**, Jobs Credit. Do not include amounts paid to yourself.

Count the cost of boarding farm labor but not the value of any products they used from the farm. Count only what you paid household help to care for farm laborers.

Caution: *If you provided taxable fringe benefits to your employees, such as personal use of a car, do not include in farm labor the amounts you depreciated or deducted elsewhere.*

Line 25

Enter your deduction for contributions to employee pension, profit-sharing, or annuity plans. If the plan included you as a self-employed person, see the instructions for **Schedule C** (Form 1040), line 19, on page C-4.

Lines 26a and 26b

If you rented or leased vehicles, machinery, or equipment, enter on line 26a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an **inclusion amount**. For details, see the instructions for **Schedule C** (Form 1040), line 20a, on page C-4.

Enter on line 26b amounts paid to rent or lease other property such as pasture or farm land.

Line 27

Enter amounts you paid for repairs and maintenance of farm buildings, machinery, and equipment. You can also include what you paid for tools of short life or minimal cost, such as shovels and rakes.

Do not deduct repairs or maintenance on your home.

Line 31

You may deduct the following taxes:

- Real estate and personal property taxes on farm business assets.
- Social security and Medicare taxes you paid to match what you are required to withhold from farm employees' wages and any Federal unemployment tax paid. To deduct one-half of your self-employment tax, see the instructions for Form 1040, line 25, on page 20.
- Federal highway use tax.

Do not deduct:

- Federal income taxes.
- Estate and gift taxes.
- Taxes assessed for improvements, such as paving and sewers.
- Taxes on your home or personal use property.
- State and local sales taxes on property purchased for use in your farm business. Instead, treat these taxes as part of the cost of the property.
- Other taxes not related to the farm business.

Line 32

Enter amounts you paid for gas, electricity, water, etc., for business use on the farm. Do not include personal utilities.

You cannot deduct the base rate (including taxes) of the first telephone line into your residence, even if you use it for business. See the instructions for **Schedule C** (Form 1040), line 25, on page C-4.

Lines 34a through 34f

Include all ordinary and necessary farm expenses not deducted elsewhere on Schedule F, such as advertising, office supplies, etc.

Amortization. You can amortize qualifying forestation and reforestation costs over an 84-month period. You can also amortize certain business startup costs over a period of at least 60 months. For more details, get Pub. 535. For amortization that begins in 1992, you must complete and attach **Form 4562**.

At-Risk Loss Deduction. Any loss from this activity that was not allowed as a deduction last year because of the at-risk rules is treated as a deduction allocable to this activity in 1992.

Bad Debts. Cash method taxpayers can deduct bad debts only if the amount was previously included in income. See the instructions for **Schedule C** (Form 1040), line 9, on page C-3.

Business Use of Your Home. You may be able to deduct certain expenses for business

use of your home, subject to limitations. Use the worksheet in **Pub. 587**, Business Use of Your Home, to figure your allowable deduction. **Do not** use **Form 8829**, Expenses for Business Use of Your Home.

Legal and Professional Fees. You can deduct on this line fees for tax advice related to your farm business and for preparation of the tax forms related to your farm business.

Travel, Meals, and Entertainment. Generally, you can deduct expenses for farm business travel and 80% of your business meals and entertainment. But there are exceptions and limitations. See the instructions for **Schedule C** (Form 1040), lines 24a through 24c, on page C-4.

Preproductive Period Expenses. Enter in parentheses on line 34f, preproductive period expenses that are capitalized. If you had preproductive period expenses in 1992 and you decided to capitalize these expenses, you **MUST** enter the total of these expenses in parentheses on line 34f and write "263A" in the space to the left of the total.

If you entered an amount in parentheses on line 34f because you have preproductive period expenses you are capitalizing, subtract the amount on line 34f from the total of lines 12 through 34e. Enter the result on line 35.

For more information, see **Capitalizing Costs of Property** on page F-3 and **Pub. 225**.

Line 36

If you have a loss, the amount of loss you can deduct this year may be limited. Go on to line 37 before entering your loss on line 36. If you answered "No" to Question E on Schedule F, also see the instructions for **Form 8582**. Enter the net profit or **deductible** loss here and on Form 1040, line 19, and Schedule SE, line 1 (or Form 1041, line 6). Partnerships should stop here and enter the profit or loss on this line and on Form 1065, line 5.

Line 37

At-Risk Rules. Generally, if you have **(a)** a loss from a farming activity, and **(b)** amounts in the activity for which you are **not at risk**, you will have to complete **Form 6198**, At-Risk Limitations, to figure your allowable loss.

The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the activity.

Check **box 37b** if you have amounts for which you are not at risk in this activity, such as the following:

- Nonrecourse loans used to finance the activity, to acquire property used in the activity, or to acquire the activity, that are not secured by your own property (other than property used in the activity). However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property.
- Cash, property, or borrowed amounts used in the activity (or contributed to the activity, or used to acquire the activity) that are protected against loss by a guarantee, stop-loss agreement, or other similar ar-

angement (excluding casualty insurance and insurance against tort liability).

- Amounts borrowed for use in the activity from a person who has an interest in the activity, other than as a creditor, or who is related, under Internal Revenue Code section 465(b)(3), to a person (other than you) having such an interest.

If all amounts are at risk in this business, check **box 37a** and enter your loss on line 36. But if you answered "No" to Question E, you may need to complete **Form 8582** to figure your allowable loss to enter on line 36. See the Instructions for Form 8582 for more details.

If you checked **box 37b**, get Form 6198 to determine the amount of your deductible loss and enter that amount on line 36. But if you answered "No" to Question E, your loss may be further limited. See the Instructions for Form 8582. If your at-risk amount is zero or less, enter zero on line 36. Be sure to attach Form 6198 to your return. If you checked box 37b and you fail to attach Form 6198, processing of your tax return may be delayed.

Any loss from this activity not allowed for 1992 because of the at-risk rules is treated as a deduction allocable to the activity in 1993.

For more details, get **Pub. 925**, Passive Activity and At-Risk Rules. Also see the Instructions for Form 6198.

Part III. Farm Income—Accrual Method

If you use the accrual method, report farm income when you earn it, not when you receive it. Generally, you must include animals and crops in your inventory if you use this method. Get **Pub. 538**, Accounting Periods and Methods, for exceptions, inventory methods, how to change methods of accounting, and for rules that require certain costs to be capitalized or included in inventory.

Line 38

Enter the amount earned from the sale of livestock, produce, grains, and other products you raised.

Lines 39a through 41c

See the instructions for lines 5a through 7c, on page F-2.

Lines 43 and 44

See the instructions for lines 9 and 10, beginning on page F-2.

Instructions for Schedule SE, Self-Employment Tax

Use Schedule SE to figure the tax due on net earnings from self-employment. The Social Security Administration uses the information from Schedule SE to figure your benefits under the social security program. This tax applies no matter how old you are, and even if you are already getting social security or Medicare benefits.

Additional Information. Get **Pub. 533, Self-Employment Tax**, for more details.

General Instructions

A Change To Note

For 1992, the maximum amount of self-employment income subject to social security tax is \$55,500. The maximum amount subject to Medicare tax for 1992 is \$130,200.

Who Must File Schedule SE

You must file Schedule SE if:

1. You were self-employed, and your net earnings from self-employment from other than church employee income were \$400 or more (or you had church employee income of \$108.28 or more—see **Employees of Churches and Church Organizations** on this page), AND
2. You did not have wages (and tips) of \$130,200 or more that were subject to social security and Medicare tax (or railroad retirement tax).

Who Can File Schedule SE

Even if you are not required to file Schedule SE, it may be to your benefit to file it and use either "optional method" in Section B.

Note: Using the optional methods may give you the benefits described below, but they may also increase your self-employment tax.

How Can the Optional Methods Help You?

Social security coverage.—The optional methods may give you credit toward your social security coverage even though you have a loss or a small amount of income from self-employment.

Earned income credit.—Using the optional methods may qualify you to claim the earned income credit or give you a larger credit if your net SE earnings (determined without using the optional methods) are less than \$1,600. Figure the earned income credit with and without using the optional methods to see if the optional methods will benefit you.

Child and dependent care credit.—The optional methods may also help you qualify for this credit or give you a larger credit if your net SE earnings (determined without using the optional methods) are less than \$1,600. Figure this credit with and without using the optional methods to see if the optional methods will benefit you.

Who Is Subject to Self-Employment Tax?

Self-Employed Persons

You are subject to SE tax if you had net earnings from being self-employed. If you are in business for yourself, or you are a farmer, for example, you are self-employed.

Your share of certain partnership income and guaranteed payments are also subject to SE tax. See **Partnership Income or Loss** on page SE-2.

Employees of Churches and Church Organizations

If you had church employee income of \$108.28 or more, you may be subject to SE tax. **Church employee income** is wages you received as an employee (other than as a minister or member of a religious order) from a church or qualified church-controlled organization that has a certificate in effect electing exemption from employer social security and Medicare taxes. See line B at the top of Long Schedule SE.

Ministers and Members of Religious Orders

Although salaries and other income you had as a minister or member of a religious order are not included in church employee income, you must include this income on line 2 of either Short or Long Schedule SE, unless the IRS approved you as being exempt from SE tax. See **Who Is Not Subject to Self-Employment Tax?** on this page.

U.S. Citizens Employed by Foreign Governments or International Organizations

You are subject to SE tax if you are a U.S. citizen employed by a foreign government (or, in certain cases, by a wholly-owned instrumentality of a foreign government or an international organization under the International Organizations Immunities Act) in the United States, Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, or the Virgin Islands. Report income from this employment on Schedule SE (Section A or B), line 2. If you are employed elsewhere by a foreign government or an international organization, those earnings are not subject to SE tax.

U.S. Citizens or Resident Aliens Living Outside the United States

If you are a self-employed U.S. citizen or resident alien living outside the United

States, in most cases you are subject to SE tax. You may not reduce your foreign earnings from self-employment by your foreign earned income exclusion.

Who Is Not Subject to Self-Employment Tax?

In most cases, you are subject to SE tax on net earnings you got as a minister, a member of a religious order who has not taken a vow of poverty, or a Christian Science practitioner. But you will not be subject to SE tax on those net earnings if you filed **Form 4361, Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners**, and the IRS approved you as being exempt from SE tax. In this case, if you have no other income subject to SE tax, write "Exempt-Form 4361" on Form 1040, line 47. However, if you have other earnings of \$400 or more subject to SE tax, see line A at the top of Long Schedule SE.

Note: If you have ever filed **Form 2031** to elect social security coverage on your earnings as a minister, you cannot change that election now.

If you have conscientious objections to social security insurance because of your membership in and belief in the teachings of a religious sect recognized as being in existence at all times since December 31, 1950, and which has provided a reasonable level of living for its dependent members, you are not subject to SE tax if you got IRS approval by filing **Form 4029, Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefits**. In this case, do not file Schedule SE. Instead, write "Form 4029" on Form 1040, line 47.

Get **Pub. 517, Social Security for Members of the Clergy and Religious Workers**, for more details.

More Than One Business

If you were a farmer and had at least one other business or you had two or more businesses, your net earnings from self-employment are the combined net earnings from all your businesses. If you had a loss in one business, it reduces the income from another. Figure the combined SE tax on one Schedule SE.

Joint Returns

Show the name of the spouse with SE income on Schedule SE. If both spouses have SE income, each must file a separate Schedule SE. If one spouse qualifies to use Short Schedule SE, and the other has to use

Long Schedule SE, both can use one Schedule SE. One spouse should complete the front and the other the back.

Include the total profits or losses from all businesses on Form 1040, as appropriate. Enter the combined SE tax on Form 1040, line 47.

Community Income

In most cases, if any of the income from a business (including farming) is community income, all of the income from that business is SE earnings of the spouse who carried on the business. The facts in each case will determine which spouse carried on the business. If you and your spouse are partners in a partnership, see **Partnership Income or Loss** below.

If you and your spouse had community income and file separate returns, attach Schedule SE to the return of the spouse with the SE income. Also attach Schedule(s) C, C-EZ, or F.

Caution: Community income included on Schedule(s) C, C-EZ, or F must be divided for income tax purposes on the basis of the community property laws.

Fiscal Year Filers

If your tax year is a fiscal year, use the tax rate and earnings base that apply at the time the fiscal year begins. Do not prorate the tax or earnings base for a fiscal year that overlaps the date of a rate or earnings base change.

Specific Instructions

Read the chart on page 1 of Schedule SE to see if you can use **Section A**, Short Schedule SE, or if you must use **Section B**, Long Schedule SE. For either section, you need to know what to include as net earnings from self-employment. Read the instructions below to see what to include as net earnings and how to fill in lines 1 and 2 of either Short or Long Schedule SE. Enter all negative amounts in parentheses.

Net Earnings From Self-Employment

What Is Included in Net SE Earnings?

In most cases, net earnings include your net profit from a farm or nonfarm business. If you were a partner in a partnership, see the instructions below.

If you were a duly ordained minister who was an employee of a church and you are subject to SE tax, the unreimbursed business expenses that you incurred as a church employee are allowed only as an itemized deduction for income tax purposes. They are deducted from your SE earnings in figuring SE tax. However, special rules apply. See Pub. 517.

If you were a U.S. citizen or resident alien serving outside the United States as a minister or member of a religious order and you are subject to SE tax, you may not reduce

your net earnings by the foreign housing exclusion or deduction.

Partnership Income or Loss

If you were a general or limited partner in a partnership, include on line 1 or line 2, whichever applies, the amount from line 15a of Schedule K-1 (Form 1065). If you were a general partner, reduce this amount before entering it on Schedule SE by any section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties. If you reduce the amount you enter on Schedule SE, attach an explanation.

If you were a general partner, the amount reported by the partnership on line 15a of Schedule K-1 should include your share of partnership income or loss subject to SE tax and any guaranteed payments the partnership made to you for services or for the use of capital. If you were a limited partner, the amount reported on line 15a of Schedule K-1 should include only guaranteed payments for services you actually rendered to or on behalf of the partnership.

Income or loss from a partnership engaged solely in the operation of a group investment program is not included in net SE earnings for either a general or limited partner.

If you were married and both you and your spouse were partners in a partnership, each of you is subject to SE tax on your own share of the partnership income. Each of you must file a Schedule SE and report the partnership income or loss on **Schedule E** (Form 1040), Part II, for income tax purposes.

SE income belongs to the person who is the member of the partnership and cannot be treated as SE income by the nonmember spouse, even in community property states.

If a partner dies and the partnership continues, the deceased's distributive share of the partnership's ordinary income or loss through the end of the month in which he or she dies must be included in SE income. See Internal Revenue Code section 1402(f).

Share Farming

You are considered self-employed if you produced crops or livestock on someone else's land for a share of the crops or livestock produced (or a share of the proceeds from the sale of them). This applies even if you had another person (an agent) doing the actual work or management for you. Report your net earnings for income tax purposes on **Schedule F** (Form 1040) and for SE tax purposes on Schedule SE. For more details, get **Pub. 225**, Farmer's Tax Guide.

Other Income and Losses Included in Net Earnings From Self-Employment

- Rental income from a farm, if, as landlord, you participated materially in the production or management of the production of farm products on this land. This income is farm earnings. To determine whether you participated materially in farm management or production, do not consider the activities of any agent who acted for you. The material participation tests are explained in Pub. 225.

- Cash or a payment-in-kind from the Department of Agriculture for being in a land diversion program.

- Payments for the use of rooms or other space when you also provided substantial services. Examples are hotel rooms, boarding houses, tourist camps or homes, parking lots, warehouses, and storage garages.

- Income from the retail sale of newspapers and magazines if you were 18 or older and kept the profits.

- Amounts received by current or former self-employed insurance agents that are:

1. Paid after retirement, but calculated as a percentage of commissions received from the paying company before retirement;

2. Renewal commissions; or

3. Deferred commissions paid after retirement for sales made before retirement.

- Income as a crew member of a fishing vessel with a crew of normally fewer than 10 people. See Pub. 595.

- Fees as a state or local government employee if you were paid only on a fee basis and the job was not covered under a Federal-State social security coverage agreement.

- Interest received in the course of any trade or business, such as interest on notes or accounts receivable.

- The rental value of a home or an allowance for a home furnished to you as a minister or member of a religious order. See Pub. 517.

- The value of meals and lodging given to you for the convenience of your employer if you are a minister or member of a religious order.

- Fees and other payments received by you for services as a director of a corporation.

- Recapture amounts under sections 179 and 280F that you included in gross income because the business use of the property dropped to 50% or less. Do not include amounts you recaptured on the disposition of property. See **Form 4797**, Sales of Business Property.

- Fees you received as a professional fiduciary. This may also apply to fees you got as a nonprofessional fiduciary if the fees relate to active participation in the operation of the estate's business, or the management of an estate that required extensive management activities over a long period of time.

- Gain or loss from section 1256 contracts or related property by an options or commodities dealer in the normal course of dealing in or trading section 1256 contracts.

Income and Losses Not Included in Net Earnings From Self-Employment

- Salaries, fees, etc., subject to social security or Medicare tax that you received for performing services as an employee, including services performed as a public official (except as a fee basis government employee as explained earlier under **Other Income and Losses Included in Net Earnings From Self-Employment**) or as an employee or employee representative under the railroad retirement system.

- Income you received as a retired partner under a written partnership plan that provides for lifelong periodic retirement pay-

ments if you had no other interest in the partnership and did not perform services for it during the year.

- Income from real estate rentals (including rentals paid in crop shares), if you did not get the income in the course of a trade or business as a real estate dealer. This includes cash and crop shares received from a tenant or sharefarmer. Report this income on Schedule E.

- Dividends on shares of stock and interest on bonds, notes, etc., if you did not get the income in the course of your trade or business as a dealer in stocks or securities.

- Gain or loss from:

1. The sale or exchange of a capital asset;
2. The sale, exchange, involuntary conversion, or other disposition of property unless the property is stock in trade or other property that would be includible in inventory, or held primarily for sale to customers in the ordinary course of the business; or
3. Certain transactions in timber, coal, or domestic iron ore.

- Net operating losses from other years.

Statutory employee income. If you were a statutory employee and filed Schedule C or C-EZ to report your income and expenses, **do not** include the net profit or (loss) from line 31 of that Schedule C (or the net profit from line 3 of Schedule C-EZ) on line 2 of Short or Long Schedule SE. But if you file Long Schedule SE, be sure to include statutory employee social security wages and tips from Form W-2 on line 8a, and statutory employee Medicare wages and tips from Form W-2 on line 12a.

Optional Methods

Farm Optional Method

Was your gross farm income for the year \$2,400 or less? If it was, you can report on line 17, Part II, two-thirds of your gross farm income instead of your actual net earnings.

If your gross farm income was more than \$2,400, and your net farm profits (defined below) were less than \$1,733, you can report \$1,600 on line 17, Part II.

If you can use this method, it can increase or decrease your net SE farm earnings, even if the farming business resulted in a loss. There is no limit on how many times you can use this method. If you use this method, you must apply it to all your farm earnings from self-employment for the year.

You may change the method after you file your return. For example, you can change from the regular to the optional method or from the optional to the regular method.

For a farm partnership, figure your share of gross income based on the partnership agreement. With guaranteed payments, your share of the partnership's gross income is your guaranteed payments plus your share of the gross income after it is reduced by all guaranteed payments of the partnership. If you are a limited partner, include only guaranteed payments for services you actually rendered to or on behalf of the partnership.

Net farm profits is the total of the amounts from Schedule F (Form 1040), line 36, and Schedule K-1 (Form 1065), line 15a, from farm partnerships.

Nonfarm Optional Method

Were your net nonfarm profits (defined below) less than \$1,733, and also less than 72.189% of your gross nonfarm income?

If so, you may use this method if you are regularly self-employed. You meet this requirement if you had actual net earnings from self-employment of \$400 or more in at least 2 of the 3 years just before the year for which you use the nonfarm method. The net earnings of \$400 or more could be from either farm or nonfarm earnings or both. The net earnings include your distributive share of partnership income or loss subject to SE tax. The limit for the optional method for nonfarm self-employment is 5 years. The 5 years do not have to be consecutive.

You may report on line 19, Part II, two-thirds of your gross nonfarm income, up to \$1,600, as your net earnings. But **you may not report less than your actual net earnings** from nonfarm self-employment.

Figure your share of gross income from a nonfarm partnership in the same manner as a farm partnership. See **Farm Optional Method** above for details.

Net nonfarm profits is the total of the amounts from Schedule C (Form 1040), line 31 (or Schedule C-EZ (Form 1040), line 3), and Schedule K-1 (Form 1065), line 15a, from other than farm partnerships.

Using Both Optional Methods

If you can use both methods, you may report less than your total actual net earnings from farm and nonfarm income, but you **cannot** report less than your actual net earnings from nonfarm SE income alone.

If you use both methods to figure net earnings, you **cannot** report more than \$1,600 of net SE earnings.

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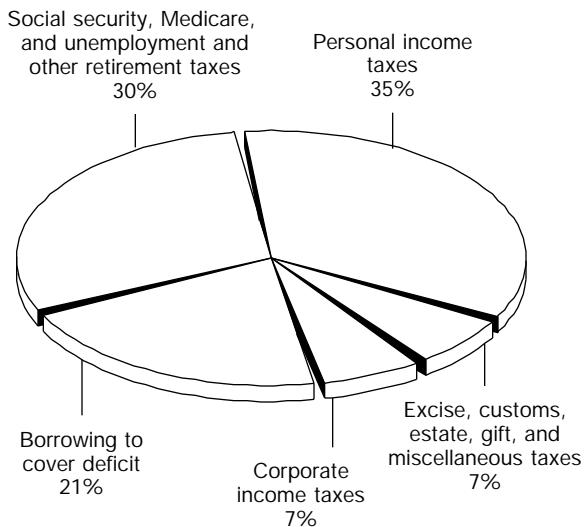
Major Categories of Federal Income and Outlays for Fiscal Year 1991

In fiscal year 1991, which began on October 1, 1990, and ended on September 30, 1991, Federal income was \$1,054.3 billion and outlays were \$1,323 billion, leaving a deficit of \$268.7 billion. The budget deficit is financed largely by government borrowing from the public. The government borrows from the public by selling bonds and other debt securities to private citizens, banks, businesses, and other governments.

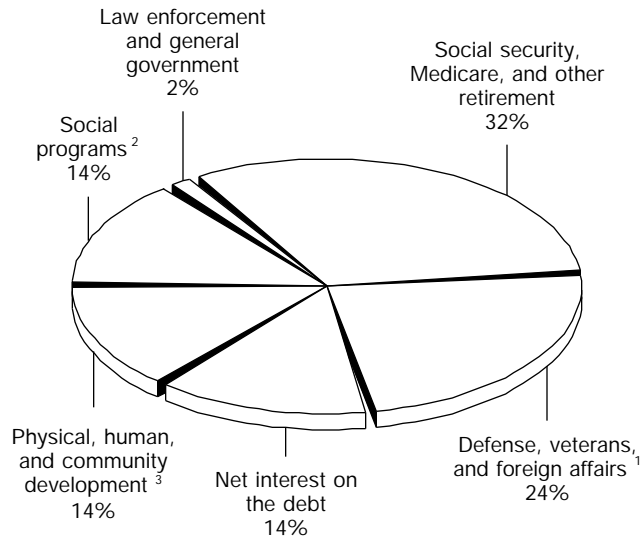
The pie charts on this page show the relative sizes of the major categories of Federal income and outlays for fiscal year 1991.

Income and Outlays

Where the Income Came From:



What the Outlays Were:



¹ About 20% was for defense; 2% was for veterans benefits and services; and 1% was for foreign affairs including military and economic assistance to foreign countries and the maintenance of U.S. embassies abroad. (These percentages do not total 24% due to rounding.)

² About 9% was spent to fund Medicaid, food stamps, aid to families with dependent children, supplemental security income, and related programs. About 5% was spent for health research and public health programs, unemployment compensation, assisted housing, and social services.

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