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# 2021 Instructions for Schedule J

## Income Averaging for Farmers and Fishermen

Use Schedule J (Form 1040) to elect to figure your 2021 income tax by averaging, over the previous 3 years (base years), all or part of your 2021 taxable income from your trade or business of farming or fishing. This election may give you a lower tax if your 2021 income from farming or fishing is high and your taxable income for 1 or more of the 3 prior years was low.

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

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

This election doesn't apply when figuring your alternative minimum tax on Form 6251. Also, you don't have to refigure, because of this election, the tax liability of any minor child who was required to use your tax rates in the prior years.

Section references are to the Internal Revenue Code unless otherwise noted.

### Future Developments

For the latest information about developments related to Schedule J (Form 1040) and its instructions, such as legislation enacted after they were published, go to [IRS.gov/ScheduleJ](https://www.irs.gov/ScheduleJ).

## General Instructions

### Prior Year Tax Returns

You may need copies of your original or amended income tax returns for 2018, 2019, and 2020 to figure your tax on Schedule J.

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

Keep a copy of your 2021 income tax return to use for income averaging in 2022, 2023, or 2024.

### Definitions

**Farming business.** A farming business is the trade or business of cultivating land or raising or harvesting any agricul-

tural or horticultural commodity. This includes:

1. Operating a nursery or sod farm;
2. Raising or harvesting of trees bearing fruits, nuts, or other crops;
3. Raising ornamental trees (but not evergreen trees that are more than 6 years old when severed from the roots);
4. Raising, shearing, feeding, caring for, training, and managing animals; and
5. Leasing land to a tenant engaged in a farming business, but only if the lease payments are (a) based on a share of the tenant's production (not a fixed amount), and (b) determined under a written agreement entered into before the tenant begins significant activities on the land.

A farming business doesn't include:

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

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

1. The catching, taking, or harvesting of fish;
2. The attempted catching, taking, or harvesting of fish;

3. Any other activity which can reasonably be expected to result in the catching, taking, or harvesting of fish;

4. Any operations at sea in support of, or in preparation for, any activity described in (1) through (3) above;

5. Leasing a fishing vessel, but only if the lease payments are (a) based on a share of the catch (or a share of the proceeds from the sale of the catch) from the lessee's use of the vessel in a fishing business (not a fixed payment), and (b) determined under a written lease entered into before the lessee begins any significant fishing activities resulting in the catch; and

6. Compensation as a crew member on a vessel engaged in a fishing business, but only if the compensation is based on a share of the catch (or a share of the proceeds from the sale of the catch).

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

A fishing business doesn't include any scientific research activity conducted by a scientific research vessel.

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

1. You were a plaintiff in the civil action *In re Exxon Valdez*, No.

89-095-CV (HRH) (Consolidated) (D. Alaska).

2. All of the following apply.

a. You were a beneficiary of a plaintiff described in (1) above.

b. You acquired the right to receive qualified settlement income from that plaintiff.

c. You were the spouse or an immediate relative of that plaintiff.

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

### Additional Information

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

## Specific Instructions

### Line 2a

#### Elected Farm Income

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

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

considered to be within a reasonable time.

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

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

- 2021 Form 1040 or 1040-SR, line 1, or Form 1040-NR, line 1a, income from wages and other compensation you received (a) as a shareholder in an S corporation engaged in a farming or fishing business, or (b) as a crew member on a vessel engaged in a fishing business (but see *Fishing business*, earlier);

- 2021 Schedule 1 (Form 1040), line 8z, income from Exxon Valdez litigation;

- 2021 Schedule 1 (Form 1040), line 15, deductible part of self-employment tax, but only to the extent that deduction is attributable to your farming or fishing business;

- 2021 Form 1040, 1040-SR, or 1040-NR, line 15, CCF reduction, except to the extent that any earnings (without regard to the carryback of any net operating or net capital loss) from the operation of agreement vessels in the fisheries of the United States or in the foreign or domestic commerce of the United States aren't attributable to your fishing business;

- Schedule C;
- Schedule D;
- Schedule E, Part II;
- Schedule F;
- Form 4797;
- Form 4835;
- Form 8903, Domestic Production Activities Deduction, but only to the extent that deduction is attributable to your farming or fishing business; and
- Form 8949.

Your elected farm income is the amount of your taxable income from farming or fishing that you elect to include on line 2a.



**TIP** You don't have to include all of your taxable income from farming or fishing on line 2a. It may be to your advantage to include less than the entire amount, depending on how the amount you include on line 2a affects your tax bracket for the current and prior 3 tax years.

The excess farm loss rules don't apply for tax years beginning after 2017. The excess business loss disallowance rule replaces the limitation on excess farm loss. Your elected farm income can't include excess business losses. See the Instructions for Schedule F (Form 1040) and Form 461.

Your elected farm income can't exceed your taxable income.

### Lines 2b and 2c

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

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

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

### Line 4

Figure the tax on the amount on line 3 using:

- The 2021 Tax Table, Tax Computation Worksheet, or Qualified Dividends and Capital Gain Tax Worksheet from the 2021 Instructions for Form 1040 or the 2021 Instructions for Form 1040-NR;

- The 2021 Foreign Earned Income Tax Worksheet from the 2021 Instructions for Form 1040; or

- The Schedule D Tax Worksheet in the 2021 Instructions for Schedule D.

Enter the tax on line 4.

## Line 5

If you used Schedule J to figure your tax for:

- 2020 (that is, you entered the amount from the 2020 Schedule J, line 23, on your 2020 Form 1040 or 1040-SR, line 16; on your 2020 Form 1040-NR, line 16; or on your 2020 Form 1040-X, line 6), enter on line 5 the amount from your 2020 Schedule J, line 11;

- 2019 but not 2020, enter on line 5 the amount from your 2019 Schedule J, line 15; or

- 2018 but not 2019 or 2020, enter on line 5 the amount from your 2018 Schedule J, line 3.

If you figured your tax for 2018, 2019, and 2020 without using Schedule J, enter on line 5 the taxable income from your 2018 tax return (or as previously adjusted by the IRS, or corrected on an amended return). But if that amount is zero or less, complete the 2018 Taxable Income Worksheet to figure the amount to enter on line 5.

If you didn't file a tax return for 2018, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2018 for at least 3 years after April 15, 2022, (or the date you file your 2021 tax return, if later).

### Instructions for 2018 Taxable Income Worksheet

**Line 2.** Any net capital loss deduction on your 2018 Schedule D, line 21, isn't allowed for income averaging purposes to the extent it didn't reduce your capital loss carryover to 2019. This could happen if the taxable income—shown on your 2018 Form 1040, line 10, your 2018 Form 1040NR-EZ, line 14, or your 2018 Form 1040NR, line 41 (or as previously adjusted)—was less than zero. Enter on line 2 the amount by which your 2018 capital loss carryover to 2019 (the sum of your short- and long-term capital loss carryovers) exceeds the ex-

cess of the loss on your 2018 Schedule D, line 16, over the loss on your 2018 Schedule D, line 21. If you had any net operating loss (NOL) carrybacks to 2018, be sure you refigured your 2018 capital loss carryover to 2019.

**Line 3.** If you had an NOL for 2018, enter the amount of that NOL from the 2018 Form 1045, Schedule A, line 25, you filed with Form 1045 or Form 1040X. If you didn't have an NOL for 2018, enter the portion, if any, of the NOL carryovers and carrybacks to 2018 that weren't used in 2018 and were carried to years after 2018.

**Example.** John Farmington, who is single, didn't use income averaging for 2018, 2019, or 2020. For 2021, John has \$18,000 of elected farm income on Schedule J, line 2a. The taxable income on his 2018 Form 1040, line 10, is \$850. However, John had a \$14,700 NOL for 2019, \$9,000 of which was remaining to carry to 2018 after the NOL was carried back to 2017. To complete line 1 of the 2018 Taxable Income Worksheet, John combines the \$9,000 NOL deduction with the \$850 from his 2018 Form 1040, line 10. The result is a negative \$8,150, John's 2018 taxable income, which he enters as a positive amount on line 1 of the 2018 Taxable Income Worksheet.

When John filed his 2018 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 21 (which was also entered on Schedule 1 (Form 1040), line 13); a \$7,000 loss on Schedule D, line 16; and a \$4,000 capital loss carryover to 2019. However, when John carried back the 2019 NOL (\$9,000 of which was carried to 2018), he refigured his 2018 capital loss carryover to 2019 as \$7,000. John adds the \$3,000 from Schedule D, line 21, and the \$7,000 capital loss carryover. He subtracts from the \$10,000 result the \$7,000 loss on his Schedule D, line 16, and enters \$3,000 on line 2 of the worksheet.

John had \$850 of taxable income in 2018 that reduced the 2019 NOL carryback. The \$3,000 net capital loss deduction reduced the amount of the 2019

NOL carryback. As a result, only \$5,150 (\$9,000 – \$850 – \$3,000 = \$5,150) was available to carry to 2020 and later years, as shown on his 2019 Form 1045, Schedule B, line 10. John enters the \$5,150 on line 3 of the worksheet, and \$8,150 (\$5,150 plus the \$3,000 line 2 amount) on line 4. He then subtracts the \$8,150 from the \$8,150 on line 1 and enters the result, \$0, on line 5 of the worksheet. He enters a negative \$0 on Schedule J, line 5. He combines that amount with the \$6,000 on Schedule J, line 6, and enters \$6,000 on Schedule J, line 7.

## Line 8

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

- The 2018 Tax Rate Schedules below;
- The 2018 Qualified Dividends and Capital Gain Tax Worksheet, later;
- The 2018 Schedule D Tax Worksheet in the 2018 Schedule D instructions (but use the 2018 Tax Rate Schedules below when figuring the tax on lines 34 and 36 of the Schedule D Tax Worksheet); or
- The 2018 Foreign Earned Income Tax Worksheet, later.

If your elected farm income includes net capital gain, you must use the 2018 Schedule D Tax Worksheet to figure the tax on the amount on line 7. However, if you filed Form 2555 or 2555-EZ for 2018, you must first complete the 2018 Foreign Earned Income Tax Worksheet, and then use the 2018 Schedule D Tax Worksheet to figure the tax on the amount on line 3 of the Foreign Earned Income Tax Worksheet.

When completing the Schedule D Tax Worksheet, you must allocate 1/3 of the amount on Schedule J, line 2b (and 1/3 of the amount on line 2c, if any) to 2018. If for 2018 you had a capital loss that resulted in a capital loss carryover to 2019, don't reduce the elected farm income allocated to 2018 by any part of the carryover.



## 2018 Taxable Income Worksheet—Line 5

Keep for Your Records



Complete this worksheet if you **didn't** use Schedule J to figure your tax for 2019 and 2020 and your 2018 taxable income was zero or less. See the instructions for Line 5 before completing this worksheet.

1. Figure the taxable income from your 2018 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2018, **don't** include any NOL carryovers or carrybacks to 2018. Enter the result as a positive amount ..... **1.**
2. If there is a loss on your 2018 Schedule D, line 21, add that loss (as a positive amount) and your 2018 capital loss carryover to 2019. Subtract from that sum the amount of the loss on your 2018 Schedule D, line 16, and enter the result ..... **2.**
3. If you had an NOL for 2018, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2018 that weren't used in 2018 and were carried to years after 2018 ..... **3.**
4. Add lines 2 and 3 ..... **4.**
5. Subtract line 4 from line 1. Enter the result as a **negative** amount on Schedule J, line 5 ..... **5.**

## 2018 Tax Rate Schedules—Line 8

Schedule X—Use if your 2018 filing status was <b>Single</b> or you checked filing status box 2 on Form 1040NR.					Schedule Y-2—Use if your 2018 filing status was <b>Married filing separately</b> or you checked filing status box 5 on Form 1040NR.				
If Schedule J, line 7 is:	But not over—	Enter on Schedule J, line 8	of the amount over—		If Schedule J, line 7 is:	But not over—	Enter on Schedule J, line 8	of the amount over—	
\$0	\$9,525	.....	<b>10%</b>	<b>\$0</b>	\$0	\$9,525	.....	<b>10%</b>	<b>\$0</b>
9,525	38,700	<b>\$952.50</b>	<b>+</b> <b>12%</b>	<b>9,525</b>	9,525	38,700	<b>\$952.50</b>	<b>+</b> <b>12%</b>	<b>9,525</b>
38,700	82,500	<b>4,453.50</b>	<b>+</b> <b>22%</b>	<b>38,700</b>	38,700	82,500	<b>4,453.50</b>	<b>+</b> <b>22%</b>	<b>38,700</b>
82,500	157,500	<b>14,089.50</b>	<b>+</b> <b>24%</b>	<b>82,500</b>	82,500	157,500	<b>14,089.50</b>	<b>+</b> <b>24%</b>	<b>82,500</b>
157,500	200,000	<b>32,089.50</b>	<b>+</b> <b>32%</b>	<b>157,500</b>	157,500	200,000	<b>32,089.50</b>	<b>+</b> <b>32%</b>	<b>157,500</b>
200,000	500,000	<b>45,689.50</b>	<b>+</b> <b>35%</b>	<b>200,000</b>	200,000	300,000	<b>45,689.50</b>	<b>+</b> <b>35%</b>	<b>200,000</b>
500,000	.....	<b>150,689.50</b>	<b>+</b> <b>37%</b>	<b>500,000</b>	300,000	.....	<b>80,689.50</b>	<b>+</b> <b>37%</b>	<b>300,000</b>
Schedule Y-1—Use if your 2018 filing status was <b>Married filing jointly</b> or <b>Qualifying widow(er)</b> or you checked filing status box 5 or 6 on Form 1040NR.					Schedule Z—Use if your 2018 filing status was <b>Head of household</b> .				
If Schedule J, line 7, is:	But not over—	Enter on Schedule J, line 8	of the amount over—		If Schedule J, line 7, is:	But not over—	Enter on Schedule J, line 8	of the amount over—	
\$0	\$19,050	.....	<b>10%</b>	<b>\$0</b>	\$0	\$13,600	.....	<b>10%</b>	<b>\$0</b>
19,050	77,400	<b>\$1,905.00</b>	<b>+</b> <b>12%</b>	<b>19,050</b>	13,600	51,800	<b>\$1,360.00</b>	<b>+</b> <b>12%</b>	<b>13,600</b>
77,400	165,000	<b>8,907.00</b>	<b>+</b> <b>22%</b>	<b>77,400</b>	51,800	82,500	<b>5,944.00</b>	<b>+</b> <b>22%</b>	<b>51,800</b>
165,000	315,000	<b>28,179.00</b>	<b>+</b> <b>24%</b>	<b>165,000</b>	82,500	157,500	<b>12,698.00</b>	<b>+</b> <b>24%</b>	<b>82,500</b>
315,000	400,000	<b>64,179.00</b>	<b>+</b> <b>32%</b>	<b>315,000</b>	157,500	200,000	<b>30,698.00</b>	<b>+</b> <b>32%</b>	<b>157,500</b>
400,000	600,000	<b>91,379.00</b>	<b>+</b> <b>35%</b>	<b>400,000</b>	200,000	500,000	<b>44,298.00</b>	<b>+</b> <b>35%</b>	<b>200,000</b>
600,000	.....	<b>161,379.00</b>	<b>+</b> <b>37%</b>	<b>600,000</b>	500,000	.....	<b>149,298.00</b>	<b>+</b> <b>37%</b>	<b>500,000</b>



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

- Your elected farm income on your 2021 Schedule J, line 2a, doesn't include any net capital gain.
- You **(a)** entered qualified dividends on your 2018 Form 1040, line 13, or 2018 Form 1040NR, line 10b; **(b)** entered capital gain distributions directly on your 2018 Schedule 1 (Form 1040), line 13, or your 2018 Form 1040NR, line 14, and weren't required to file Schedule D; or **(c)** filed Schedule D in 2018 and you answered "Yes" on lines 17 and 20 of that Schedule D.

1.	Amount from your 2021 Schedule J, line 7. If for 2018 you filed Form 2555 or 2555-EZ, enter the amount from line 3 of the 2018 Foreign Earned Income Tax Worksheet	1.	<input type="text"/>
2.	Amount from your 2018 Form 1040, line 3a* (or your 2018 Form 1040NR, line 10b)	2.	<input type="text"/>
3.	Did you file Schedule D in 2018?*		
<input type="checkbox"/>	<b>Yes.</b> Enter the <b>smaller</b> of line 15 or 16 of your 2018 Schedule D, but don't enter less than -0-	3.	<input type="text"/>
<input type="checkbox"/>	<b>No.</b> Enter the amount from your 2018 Schedule 1 (Form 1040), line 13 or 2018 Form 1040NR line 14.		
4.	Add lines 2 and 3	4.	<input type="text"/>
5.	Amount, if any, from your 2018 Form 4952, line 4g	5.	<input type="text"/>
6.	Subtract line 5 from line 4. If zero or less, enter -0-	6.	<input type="text"/>
7.	Subtract line 6 from line 1. If zero or less, enter -0-	7.	<input type="text"/>
8.	Enter one of the following three amounts depending on your filing status.	8.	<input type="text"/>
	• \$38,600 if single or married filing separately, or if you checked filing status box 1, 2, 3, 4, or 5 on Form 1040NR.		
	• \$77,200 if married filing jointly or qualifying widow(er), or if you checked filing status box 6 on Form 1040NR.		
	• \$51,700 if head of household.		
9.	Enter the smaller of line 1 or line 8	9.	<input type="text"/>
10.	Enter the smaller of line 7 or line 9	10.	<input type="text"/>
11.	Subtract line 10 from line 9. This amount is taxed at 0%	11.	<input type="text"/>
12.	Enter the smaller of line 1 or line 6	12.	<input type="text"/>
13.	Enter the amount from line 11	13.	<input type="text"/>
14.	Subtract line 13 from line 12	14.	<input type="text"/>
15.	Enter one of the following amounts depending on your filing status.	15.	<input type="text"/>
	• \$425,800 if single, or if you checked filing status box 2 on Form 1040NR.		
	• \$239,500 if married filing separately, or if you checked filing status box 5 on Form 1040NR.		
	• \$479,000 if married filing jointly or qualifying widow(er), or if you checked filing status box 5 or 6 on Form 1040NR.		
	• \$452,400 if head of household.		
16.	Enter the smaller of line 1 or line 15	16.	<input type="text"/>
17.	Add lines 7 and 11	17.	<input type="text"/>
18.	Subtract line 17 from line 16. If zero or less, enter -0-	18.	<input type="text"/>
19.	Enter the smaller of line 14 or line 18	19.	<input type="text"/>
20.	Multiply line 19 by 15% (0.15)	20.	<input type="text"/>
21.	Add lines 11 and 19	21.	<input type="text"/>
22.	Subtract line 21 from line 12	22.	<input type="text"/>
23.	Multiply line 22 by 20% (0.20)	23.	<input type="text"/>
24.	Figure the tax on the amount on line 7. Use the 2018 Tax Rate Schedules	24.	<input type="text"/>
25.	Add lines 20, 23, and 24	25.	<input type="text"/>
26.	Figure the tax on the amount on line 1. Use the 2018 Tax Rate Schedules	26.	<input type="text"/>
27.	<b>Tax.</b> Enter the <b>smaller</b> of line 25 or line 26 here and on your 2021 Schedule J, line 8. If for 2018 you filed Form 2555 or 2555-EZ, don't enter this amount on Schedule J, line 8. Instead, enter it on line 4 of the 2018 Foreign Earned Income Tax Worksheet	27.	<input type="text"/>

\*If for 2018 you filed Form 2555 or 2555-EZ, see the footnote in the 2018 Foreign Earned Income Tax Worksheet before completing this line.

**2018 Foreign Earned Income Tax Worksheet—Line 8**

Keep for Your Records



Use this worksheet if you claimed the foreign earned income exclusion or housing exclusion on your 2018 Form 1040 using Form 2555 or 2555-EZ. However, if Schedule J, line 7, is zero or less, don't complete this worksheet.

<b>1.</b> Enter the amount from your 2021 Schedule J, line 7 .....	<b>1.</b>	_____
<b>2a.</b> Enter the amount from your (and your spouse's, if filing jointly) 2018 Form 2555, lines 45 and 50, or Form 2555-EZ, line 18 .....	<b>2a.</b>	_____
<b>b.</b> Enter the total amount of any itemized deductions or exclusions you could not claim for 2018 because they were related to excluded income .....	<b>b.</b>	_____
<b>c.</b> Subtract line 2b from line 2a. If zero or less, enter -0- .....	<b>c.</b>	_____
<b>3.</b> Add lines 1 and 2c .....	<b>3.</b>	_____
<b>4. Figure the tax on the amount on line 3.</b> Use the 2018 Tax Rate Schedules, the 2018 Qualified Dividends and Capital Gain Tax Worksheet,* or the 2018 Schedule D Tax Worksheet in the 2018 Schedule D instructions,* whichever applies .....	<b>4.</b>	_____
<b>5. Figure the tax on the amount on line 2c.</b> Use the 2018 Tax Rate Schedules .....	<b>5.</b>	_____
<b>6.</b> Subtract line 5 from line 4. Enter the result. If zero or less, enter -0-. Also include this amount on your 2021 Schedule J, line 8 .....	<b>6.</b>	_____

\* Enter the amount from line 3 above on line 1 of the 2018 *Qualified Dividends and Capital Gain Tax Worksheet* or the 2018 *Schedule D Tax Worksheet* if you use either of those worksheets to figure the tax on line 4 above. Complete the rest of that worksheet through line 6 (line 10 if you use the *Schedule D Tax Worksheet*). Next, you must determine if you had a capital gain excess. To find out if you had a capital gain excess, subtract the amount from your 2021 Schedule J, line 7, from line 6 of your 2018 *Qualified Dividends and Capital Gain Tax Worksheet* (line 10 of your 2018 *Schedule D Tax Worksheet*). If the result is more than zero, that amount is your capital gain excess.

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

If you had a capital gain excess, complete a second 2018 *Qualified Dividends and Capital Gain Tax Worksheet* or 2018 *Schedule D Tax Worksheet* (whichever applies) as instructed above but in its entirety and with the following additional modifications. Then complete lines 5 and 6 above. These modifications are to be made only for purposes of filling out the 2018 *Foreign Earned Income Tax Worksheet* above.

1. Reduce (but not below zero) the amount you would otherwise enter on line 3 of your 2018 *Qualified Dividends and Capital Gain Tax Worksheet* or line 9 of your 2018 *Schedule D Tax Worksheet* by your capital gain excess.
2. Reduce (but not below zero) the amount you would otherwise enter on line 2 of your 2018 *Qualified Dividends and Capital Gain Tax Worksheet* or line 6 of your 2018 *Schedule D Tax Worksheet* by any of your capital gain excess not used in (1) above.
3. Reduce (but not below zero) the amount on your 2018 *Schedule D (Form 1040)*, line 18, by your capital gain excess.
4. Include your capital gain excess as a loss on line 16 of your 2018 *Unrecaptured Section 1250 Gain Worksheet* in the 2018 *Instructions for Schedule D (Form 1040)*.

## Line 9

If you used Schedule J to figure your tax for:

- 2020 (that is, you entered the amount from the 2020 Schedule J, line 23, on your 2020 Form 1040 or 1040-SR, line 16; 2020 Form 1040-NR, line 16; or 2020 Form 1040-X, line 6), enter on line 9 the amount from your 2020 Schedule J, line 15; or
- 2019 but not 2020, enter on line 9 the amount from your 2019 Schedule J, line 3.

If you figured your tax for both 2019 and 2020 without using Schedule J, enter on line 9 the taxable income from your 2019 tax return (or as previously adjusted by the IRS or corrected on an amended return). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 9.

If you didn't file a tax return for 2019, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2019 until at least 3 years after April 15, 2022 (or the date you file your 2021 tax return, if later).

### Instructions for 2019 Taxable Income Worksheet

**Line 2.** Any net capital loss deduction on your 2019 Schedule D, line 21, isn't allowed for income averaging purposes

to the extent it didn't reduce your capital loss carryover to 2020. This could happen if the taxable income—shown on your 2019 Form 1040 or 1040-SR, line 11b, your 2019 Form 1040NR-EZ, line 14, or your 2019 Form 1040-NR, line 41 (or as previously adjusted)—was less than zero. Enter on line 2 the amount by which your 2019 capital loss carryover to 2020 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2019 Schedule D, line 16, over the loss on your 2019 Schedule D, line 21. If you had any NOL carrybacks to 2019, be sure you refigured your 2019 capital loss carryover to 2020.

**Line 3.** If you had an NOL for 2019, enter the amount of that NOL from the 2019 Form 1045, Schedule A, line 25, you filed with Form 1045 or Form 1040-X. If you didn't have an NOL for 2019, enter the portion, if any, of the NOL carryovers and carrybacks to 2019 that weren't used in 2019 and were carried to years after 2019.

**Example.** John Farmington didn't use income averaging for 2018, 2019, or 2020. The taxable income on his 2019 Form 1040, line 11b, is a negative \$29,900. The deduction for exemptions has been suspended. John subtracts from the \$29,900 loss the \$0 deduction for the suspended exemptions. The result is a negative \$29,900, John's 2019 taxable income, which he enters as a positive amount on line 1 of the 2019 Taxable Income Worksheet.

When John filed his 2019 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 21 (which was also entered on Form 1040, line 6, and a \$7,000 loss on Schedule D, line 16) as adjusted. He also had a \$7,000 capital loss carryover to 2020.

John adds the \$3,000 from Schedule D, line 21, and the \$7,000 capital loss carryover. He subtracts from the \$10,000 result the \$7,000 loss on his Schedule D, line 16, and enters \$3,000 on line 2 of the worksheet.

John enters \$14,700 on line 3 of the worksheet, the 2019 NOL from his 2019 Form 1045, Schedule A, line 25. Of the \$29,900 negative taxable income, the \$0 deduction for the suspended exemptions, the \$3,000 capital loss deduction, and his \$12,200 standard deduction weren't allowed in figuring the NOL. John had a \$14,700 loss on his 2019 Schedule F, the only other item on his 2019 tax return.

John enters \$17,700 (the \$3,000 line 2 amount plus the \$14,700 line 3 amount) on line 4 and \$12,200 (the \$29,900 line 1 amount minus the \$17,700 line 4 amount) on line 5. He enters \$12,200 as a negative amount on Schedule J, line 9. He enters \$6,000 on Schedule J, line 10, and a negative \$6,200 on Schedule J, line 11. If he uses Schedule J to figure his tax for 2022, he will enter the negative \$6,200 amount on his 2022 Schedule J as his 2019 taxable income for income averaging purposes.

## 2019 Taxable Income Worksheet—Line 9

Keep for Your Records 

Complete this worksheet if you **didn't** use Schedule J to figure your tax for 2020 and your 2019 taxable income was zero or less. See the instructions above before completing this worksheet.

- |  |    |                      |
|--|----|----------------------|
| 1. Figure the taxable income from your 2019 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2019, <b>don't</b> include any NOL carryovers or carrybacks to 2019. Enter the result as a positive amount ..... | 1. | <input type="text"/> |
| 2. If there is a loss on your 2019 Schedule D, line 21, add that loss (as a positive amount) and your 2019 capital loss carryover to 2020. Subtract from that sum the amount of the loss on your 2019 Schedule D, line 16, and enter the result .....  | 2. | <input type="text"/> |
| 3. If you had an NOL for 2019, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2019 that weren't used in 2019 and were carried to years after 2019 .....             | 3. | <input type="text"/> |
| 4. Add lines 2 and 3 .....   | 4. | <input type="text"/> |
| 5. Subtract line 4 from line 1. Enter the result as a <b>negative</b> amount on Schedule J, line 9 .....   | 5. | <input type="text"/> |



## Line 12

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

- The 2019 Tax Rate Schedules below;
- The 2019 Qualified Dividends and Capital Gain Tax Worksheet, later;
- The 2019 Schedule D Tax Worksheet in the 2019 Schedule D instructions (but use the 2019 Tax Rate Schedules below when figuring the tax on the

Schedule D Tax Worksheet, lines 42 and 44); or

- The 2019 Foreign Earned Income Tax Worksheet, later.

If your elected farm income includes net capital gain, you must use the 2019 Schedule D Tax Worksheet to figure the tax on the amount on line 11. However, if you filed Form 2555 for 2019, you must first complete the 2019 Foreign Earned Income Tax Worksheet, and then use the 2019 Schedule D Tax Worksheet

to figure the tax on the amount on line 3 of the Foreign Earned Income Tax Worksheet.

When completing the Schedule D Tax Worksheet, you must allocate 1/3 of the amount on Schedule J, line 2b (and 1/3 of the amount on line 2c, if any) to 2019. If for 2019 you had a capital loss that resulted in a capital loss carryover to 2020, don't reduce the elected farm income allocated to 2019 by any part of the carryover.

## 2019 Tax Rate Schedules—Line 12

Schedule X—Use if your 2019 filing status was <b>Single</b> or you checked filing status box 2 on Form 1040-NR.					Schedule Y-2—Use if your 2019 filing status was <b>Married filing separately</b> or you checked filing status box 5 on Form 1040-NR.				
If Schedule J, line 11, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 12	<i>of the amount over—</i>		If Schedule J, line 11, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 12	<i>of the amount over—</i>	
\$0	\$9,700	.....	<b>10%</b>	<b>\$0</b>	\$0	\$9,700	.....	<b>10%</b>	<b>\$0</b>
9,700	39,475	<b>\$970.00</b>	<b>+</b> <b>12%</b>	<b>9,700</b>	9,700	39,475	<b>\$970.00</b>	<b>+</b> <b>12%</b>	<b>9,700</b>
39,475	84,200	<b>4,543.00</b>	<b>+</b> <b>22%</b>	<b>39,475</b>	39,475	84,200	<b>4,543.00</b>	<b>+</b> <b>22%</b>	<b>39,475</b>
84,200	160,725	<b>14,382.50</b>	<b>+</b> <b>24%</b>	<b>84,200</b>	84,200	160,725	<b>14,382.50</b>	<b>+</b> <b>24%</b>	<b>84,200</b>
160,725	204,100	<b>32,748.50</b>	<b>+</b> <b>32%</b>	<b>160,725</b>	160,725	204,100	<b>32,748.50</b>	<b>+</b> <b>32%</b>	<b>160,725</b>
204,100	510,300	<b>46,628.50</b>	<b>+</b> <b>35%</b>	<b>204,100</b>	204,100	306,175	<b>46,628.50</b>	<b>+</b> <b>35%</b>	<b>204,100</b>
510,300	.....	<b>153,798.50</b>	<b>+</b> <b>37%</b>	<b>510,300</b>	306,175	.....	<b>82,354.75</b>	<b>+</b> <b>37%</b>	<b>306,175</b>
Schedule Y-1—Use if your 2019 filing status was <b>Married filing jointly</b> or <b>Qualifying widow(er)</b> or you checked filing status box 5 or 6 on Form 1040-NR.					Schedule Z—Use if your 2019 filing status was <b>Head of household</b> .				
If Schedule J, line 11, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 12	<i>of the amount over—</i>		If Schedule J, line 11, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 12	<i>of the amount over—</i>	
\$0	\$19,400	.....	<b>10%</b>	<b>\$0</b>	\$0	\$13,850	.....	<b>10%</b>	<b>\$0</b>
19,400	78,950	<b>\$1,940.00</b>	<b>+</b> <b>12%</b>	<b>19,400</b>	13,850	52,850	<b>\$1,385.00</b>	<b>+</b> <b>12%</b>	<b>13,850</b>
78,950	168,400	<b>9,086.00</b>	<b>+</b> <b>22%</b>	<b>78,950</b>	52,850	84,200	<b>6,065.00</b>	<b>+</b> <b>22%</b>	<b>52,850</b>
168,400	321,450	<b>28,765.00</b>	<b>+</b> <b>24%</b>	<b>168,400</b>	84,200	160,700	<b>12,962.00</b>	<b>+</b> <b>24%</b>	<b>84,200</b>
321,450	408,200	<b>65,497.00</b>	<b>+</b> <b>32%</b>	<b>321,450</b>	160,700	204,100	<b>31,322.00</b>	<b>+</b> <b>32%</b>	<b>160,700</b>
408,200	612,350	<b>93,257.00</b>	<b>+</b> <b>35%</b>	<b>408,200</b>	204,100	510,300	<b>45,210.00</b>	<b>+</b> <b>35%</b>	<b>204,100</b>
612,350	.....	<b>164,709.50</b>	<b>+</b> <b>37%</b>	<b>612,350</b>	510,300	.....	<b>152,380.00</b>	<b>+</b> <b>37%</b>	<b>510,300</b>



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

- Your elected farm income on your 2021 Schedule J, line 2a, doesn't include any net capital gain.
- You (a) entered qualified dividends on your 2019 Form 1040 or 1040-SR, line 3a (or 2019 Form 1040-NR, line 10b); (b) entered capital gain distributions directly on your 2019 Form 1040 or 1040-SR, line 6 (or your 2019 Form 1040-NR, line 14), and weren't required to file Schedule D; or (c) filed Schedule D in 2019 and you answered "Yes" on lines 17 and 20 of that Schedule D.

1.	Amount from your 2021 Schedule J, line 11. If for 2019 you filed Form 2555, enter the amount from line 3 of the 2019 Foreign Earned Income Tax Worksheet	1.	_____
2.	Amount from your 2019 Form 1040 or 1040-SR, line 3a* (or 2019 Form 1040-NR, line 10b)	2.	_____
3.	Did you file Schedule D in 2019?*		
	<input type="checkbox"/> <b>Yes.</b> Enter the <b>smaller</b> of line 15 or 16 of your 2019 Schedule D, but don't enter less than -0-	} ...	3. _____
	<input type="checkbox"/> <b>No.</b> Enter the amount from your 2019 Form 1040 or 1040-SR, line 6 (or 2019 Form 1040-NR, line 14).		
4.	Add lines 2 and 3	4.	_____
5.	Amount, if any, from your 2019 Form 4952, line 4g	5.	_____
6.	Subtract line 5 from line 4. If zero or less, enter -0-	6.	_____
7.	Subtract line 6 from line 1. If zero or less, enter -0-	7.	_____
8.	Enter one of the following three amounts depending on your filing status.	} ...	8. _____
	• \$39,375 if single or married filing separately, or if you checked filing status box 1, 2, 3, 4, or 5 on Form 1040-NR.		
	• \$78,750 if married filing jointly or qualifying widow(er) or if you checked filing status box 5 or 6 on Form 1040-NR.		
	• \$52,750 if head of household.		
9.	Enter the smaller of line 1 or line 8	9.	_____
10.	Enter the smaller of line 7 or line 9	10.	_____
11.	Subtract line 10 from line 9. This amount is taxed at 0%	11.	_____
12.	Enter the smaller of line 1 or line 6	12.	_____
13.	Enter the amount from line 11	13.	_____
14.	Subtract line 13 from line 12	14.	_____
15.	Enter one of the following amounts depending on your filing status:	} ...	15. _____
	• \$434,550 if single, or if you checked filing status box 2 on Form 1040-NR.		
	• \$244,425 if married filing separately, or if you checked filing status box 5 on Form 1040-NR.		
	• \$488,850 if married filing jointly or qualifying widow(er), or if you checked filing status box 5 or 6 on Form 1040-NR.		
	• \$461,700 if head of household.		
16.	Enter the smaller of line 1 or line 15	16.	_____
17.	Add lines 7 and 11	17.	_____
18.	Subtract line 17 from line 16. If zero or less, enter -0-	18.	_____
19.	Enter the smaller of line 14 or line 18	19.	_____
20.	Multiply line 19 by 15% (0.15)	20.	_____
21.	Add lines 11 and 19	21.	_____
22.	Subtract line 21 from line 12	22.	_____
23.	Multiply line 22 by 20% (0.20)	23.	_____
24.	Figure the tax on the amount on line 7. Use the 2019 Tax Rate Schedules	24.	_____
25.	Add lines 20, 23, and 24	25.	_____
26.	Figure the tax on the amount on line 1. Use the 2019 Tax Rate Schedules	26.	_____
27.	<b>Tax.</b> Enter the <b>smaller</b> of line 25 or line 26 here and on your 2021 Schedule J, line 12. If for 2019 you filed Form 2555, don't enter this amount on Schedule J, line 12. Instead, enter it on line 4 of the 2019 Foreign Earned Income Tax Worksheet	27.	_____

\* If for 2019 you filed Form 2555, see the footnote in the 2019 Foreign Earned Income Tax Worksheet before completing this line.

**2019 Foreign Earned Income Tax Worksheet—Line 12**

Keep for Your Records



Use this worksheet if you claimed the foreign earned income exclusion or housing exclusion on your 2019 Form 1040 or 1040-SR using Form 2555. However, if Schedule J, line 11, is zero or less, don't complete this worksheet.

<b>1.</b> Enter the amount from your 2021 Schedule J, line 11 .....	<b>1.</b>	_____
<b>2a.</b> Enter the amount from your (and your spouse's, if filing jointly) 2019 Form 2555, lines 45 and 50 .....	<b>2a.</b>	_____
<b>b.</b> Enter the total amount of any itemized deductions or exclusions you could not claim for 2019 because they were related to excluded income .....	<b>b.</b>	_____
<b>c.</b> Subtract line 2b from line 2a. If zero or less, enter -0- .....	<b>c.</b>	_____
<b>3.</b> Add lines 1 and 2c .....	<b>3.</b>	_____
<b>4. Figure the tax on the amount on line 3.</b> Use the 2019 Tax Rate Schedules, the 2019 Qualified Dividends and Capital Gain Tax Worksheet,* or the 2019 Schedule D Tax Worksheet in the 2019 Schedule D instructions,* whichever applies .....	<b>4.</b>	_____
<b>5. Figure the tax on the amount on line 2c.</b> Use the 2019 Tax Rate Schedules .....	<b>5.</b>	_____
<b>6.</b> Subtract line 5 from line 4. Enter the result. If zero or less, enter -0-. Also include this amount on your 2021 Schedule J, line 12 .....	<b>6.</b>	_____

\* Enter the amount from line 3 above on line 1 of the 2019 Qualified Dividends and Capital Gain Tax Worksheet or the 2019 Schedule D Tax Worksheet if you use either of those worksheets to figure the tax on line 4 above. Complete the rest of that worksheet through line 6 (line 10 if you use the Schedule D Tax Worksheet). Next, you must determine if you had a capital gain excess. To find out if you had a capital gain excess, subtract the amount from your 2021 Schedule J, line 11, from line 6 of your 2019 Qualified Dividends and Capital Gain Tax Worksheet (line 10 of your 2019 Schedule D Tax Worksheet). If the result is more than zero, that amount is your capital gain excess.

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

If you had a capital gain excess, complete a second 2019 Qualified Dividends and Capital Gain Tax Worksheet or 2019 Schedule D Tax Worksheet (whichever applies) as instructed above but in its entirety and with the following additional modifications. Then complete lines 5 and 6 above. These modifications are to be made only for purposes of filling out the 2019 Foreign Earned Income Tax Worksheet above.

1. Reduce (but not below zero) the amount you would otherwise enter on line 3 of your 2019 Qualified Dividends and Capital Gain Tax Worksheet or line 9 of your 2019 Schedule D Tax Worksheet by your capital gain excess.
2. Reduce (but not below zero) the amount you would otherwise enter on line 2 of your 2019 Qualified Dividends and Capital Gain Tax Worksheet or line 6 of your 2019 Schedule D Tax Worksheet by any of your capital gain excess not used in (1) above.
3. Reduce (but not below zero) the amount on your 2019 Schedule D (Form 1040), line 18, by your capital gain excess.
4. Include your capital gain excess as a loss on line 16 of your 2019 Unrecaptured Section 1250 Gain Worksheet in the 2019 Instructions for Schedule D (Form 1040).

## Line 13

If you used Schedule J to figure your tax for 2020 (that is, you entered the amount from the 2020 Schedule J, line 23, on your 2020 Form 1040 or 1040-SR, line 16; on your 2020 Form 1040-NR, line 16; or on Form 1040-X, line 6 for 2020), enter on line 13 the amount from your 2020 Schedule J, line 3.

If you didn't use Schedule J to figure your tax for 2020, enter on line 13 the taxable income from your 2020 tax return (or as previously adjusted by the IRS or corrected on an amended return). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 13.

If you didn't file a tax return for 2020, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2020 until at least 3 years after April 15, 2022 (or the date you file your 2021 tax return, if later).

### Instructions for 2020 Taxable Income Worksheet

**Line 2.** Any net capital loss deduction on your 2020 Schedule D, line 21, isn't allowed for income averaging purposes to the extent it didn't reduce your capital loss carryover to 2021. This could happen if the taxable income—shown on your 2020 Form 1040 or 1040-SR, line 15, or your 2020 Form 1040-NR,

line 15 (or as previously adjusted)—would have been less than zero if you could have entered a negative amount on that line. Enter on line 2 the amount by which your 2020 capital loss carryover to 2021 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2020 Schedule D, line 16, over the loss on your 2020 Schedule D, line 21.


**Line 3.** If you had an NOL for 2020, enter the amount of that NOL from the 2020 Form 1045, Schedule A, line 24, you filed with Form 1045 or Form 1040-X. If you didn't have an NOL for 2020, enter the portion, if any, of the NOL carryovers and carrybacks to 2020 that weren't used in 2020 and were carried to years after 2020.

**Example.** John Farmington didn't use income averaging for 2018, 2019, or 2020. The taxable income on his 2020 Form 1040, line 15, would have been a negative \$1,000 if he could have entered a negative number on that line. This amount includes an NOL deduction on his 2020 Schedule 1 (Form 1040), line 8, of \$5,150. The \$5,150 is the portion of the 2019 NOL that was remaining from 2018 to be carried to 2020. See the examples earlier. John's taxable income is limited to zero and he doesn't have an NOL for 2020. The result is a negative \$1,000, John's 2020 taxable income, which he enters as a positive amount on line 1 of the 2020 Taxable Income Worksheet.

When John filed his 2020 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 21 (which was also entered on Form 1040, line 7); a \$7,000 loss on Schedule D, line 16, and a \$5,000 capital loss carryover to 2021 (his 2020 capital loss carryover to 2021 was \$5,000, not \$4,000, because the amount on his Form 1040, line 15, would have been a negative \$1,000 if he could have entered a negative number on that line). John adds the \$3,000 from Schedule D, line 21, and the \$5,000 carryover. He subtracts from the \$8,000 result the \$7,000 loss on his Schedule D, line 16; and enters \$1,000 on line 2 of the worksheet.

John enters -0- on line 3 of the worksheet because he doesn't have an NOL for 2020 and didn't have an NOL carryover from 2020 available to carry to 2021 and later years. The NOL deduction for 2020 of \$5,150 was reduced to zero because it didn't exceed his modified taxable income of \$7,150. Modified taxable income is figured by adding back the \$3,000 net capital loss deduction to taxable income (figured without regard to the NOL deduction) of \$4,150. John enters \$1,000 on line 4 and \$0 on line 5. He enters \$0 on Schedule J, line 13. He enters \$6,000 on Schedule J, line 14; and \$6,000 on Schedule J, line 15. If he uses Schedule J to figure his tax for 2022, he will enter \$6,000 on his 2022 Schedule J as his 2020 taxable income for income averaging purposes.

## 2020 Taxable Income Worksheet—Line 13

Keep for Your Records 

Complete this worksheet if your 2020 taxable income was zero or less. See the instructions above before completing this worksheet.

- |  |          |
|--|----------|
| 1. Figure the taxable income from your 2020 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2020, <b>don't</b> include any NOL carryovers or carrybacks to 2020. Enter the result as a positive amount ..... | 1. _____ |
| 2. If there is a loss on your 2020 Schedule D, line 21, add that loss (as a positive amount) and your 2020 capital loss carryover to 2021. Subtract from that sum the amount of the loss on your 2020 Schedule D, line 16, and enter the result .....  | 2. _____ |
| 3. If you had an NOL for 2020, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2020 that weren't used in 2020 and were carried to years after 2020 .....             | 3. _____ |
| 4. Add lines 2 and 3 .....   | 4. _____ |
| 5. Subtract line 4 from line 1. Enter the result as a <b>negative</b> amount on Schedule J, line 13 .....  | 5. _____ |



## Line 16

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

- The 2020 Tax Rate Schedules below;
- The 2020 Qualified Dividends and Capital Gain Tax Worksheet, later;
- The 2020 Schedule D Tax Worksheet in the 2020 Schedule D instructions (but use the 2020 Tax Rate Schedules when figuring the tax on the Sched-

ule D Tax Worksheet, lines 44 and 46); or

- The 2020 Foreign Earned Income Tax Worksheet, later.

If your elected farm income includes net capital gain, you must use the 2020 Schedule D Tax Worksheet to figure the tax on the amount on line 15. However, if you filed Form 2555 for 2020, you must first complete the 2020 Foreign Earned Income Tax Worksheet, and then use the 2020 Schedule D Tax Worksheet

to figure the tax on the amount on line 3 of the Foreign Earned Income Tax Worksheet.

When completing the Schedule D Tax Worksheet, you must allocate 1/3 of the amount on Schedule J, line 2b (and 1/3 of the amount on line 2c, if any) to 2020. If for 2020 you had a capital loss that resulted in a capital loss carryover to 2021, don't reduce the elected farm income allocated to 2020 by any part of the carryover.

## 2020 Tax Rate Schedules—Line 16

Schedule X—Use if your 2020 filing status was <b>Single</b> on your Form 1040, 1040-SR, or 1040-NR.					Schedule Y-2—Use if your 2020 filing status was <b>Married filing separately</b> on your Form 1040, 1040-SR, or 1040-NR.				
If Schedule J, line 15, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>		If Schedule J, line 15, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>	
\$0	\$9,875	.....	<b>10%</b>	<b>\$0</b>	\$0	\$9,875	.....	<b>10%</b>	<b>\$0</b>
9,875	40,125	<b>\$987.50</b>	<b>+</b> <b>12%</b>	<b>9,875</b>	9,875	40,125	<b>\$987.50</b>	<b>+</b> <b>12%</b>	<b>9,875</b>
40,125	85,525	<b>4,617.50</b>	<b>+</b> <b>22%</b>	<b>40,125</b>	40,125	85,525	<b>4,617.50</b>	<b>+</b> <b>22%</b>	<b>40,125</b>
85,525	163,300	<b>14,605.50</b>	<b>+</b> <b>24%</b>	<b>85,525</b>	85,525	163,300	<b>14,605.50</b>	<b>+</b> <b>24%</b>	<b>85,525</b>
163,300	207,350	<b>33,271.50</b>	<b>+</b> <b>32%</b>	<b>163,300</b>	163,300	207,350	<b>33,271.50</b>	<b>+</b> <b>32%</b>	<b>163,300</b>
207,350	518,400	<b>47,367.50</b>	<b>+</b> <b>35%</b>	<b>207,350</b>	207,350	311,025	<b>47,367.50</b>	<b>+</b> <b>35%</b>	<b>207,350</b>
518,400	.....	<b>156,235.00</b>	<b>+</b> <b>37%</b>	<b>518,400</b>	311,025	.....	<b>83,653.75</b>	<b>+</b> <b>37%</b>	<b>311,025</b>
Schedule Y-1—Use if your 2020 filing status was <b>Married filing jointly</b> or <b>Qualifying widow(er)</b> .					Schedule Z—Use if your 2020 filing status was <b>Head of household</b> .				
If Schedule J, line 15, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>		If Schedule J, line 15, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>	
\$0	\$19,750	.....	<b>10%</b>	<b>\$0</b>	\$0	\$14,100	.....	<b>10%</b>	<b>\$0</b>
19,750	80,250	<b>\$1,975.00</b>	<b>+</b> <b>12%</b>	<b>19,750</b>	14,100	53,700	<b>\$1,410.00</b>	<b>+</b> <b>12%</b>	<b>14,100</b>
80,250	171,050	<b>9,235.00</b>	<b>+</b> <b>22%</b>	<b>80,250</b>	53,700	85,500	<b>6,162.00</b>	<b>+</b> <b>22%</b>	<b>53,700</b>
171,050	326,600	<b>29,211.00</b>	<b>+</b> <b>24%</b>	<b>171,050</b>	85,500	163,300	<b>13,158.00</b>	<b>+</b> <b>24%</b>	<b>85,500</b>
326,600	414,700	<b>66,543.00</b>	<b>+</b> <b>32%</b>	<b>326,600</b>	163,300	207,350	<b>31,830.00</b>	<b>+</b> <b>32%</b>	<b>163,300</b>
414,700	622,050	<b>94,735.00</b>	<b>+</b> <b>35%</b>	<b>414,700</b>	207,350	518,400	<b>45,926.00</b>	<b>+</b> <b>35%</b>	<b>207,350</b>
622,050	.....	<b>167,307.50</b>	<b>+</b> <b>37%</b>	<b>622,050</b>	518,400	.....	<b>154,793.50</b>	<b>+</b> <b>37%</b>	<b>518,400</b>



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

- Your elected farm income on your 2021 Schedule J, line 2a, doesn't include any net capital gain.
- You **(a)** entered qualified dividends on your 2020 Form 1040, 1040-SR, or 1040-NR, line 3a; **(b)** entered capital gain distributions directly on your 2020 Form 1040, 1040-SR, or 1040-NR, line 7 and weren't required to file Schedule D; or **(c)** filed Schedule D in 2020 and you answered "Yes" on lines 17 and 20 of that Schedule D.

1.	Amount from your 2021 Schedule J, line 15. If for 2020 you filed Form 2555, enter the amount from line 3 of the 2020 Foreign Earned Income Tax Worksheet	1.	<input type="text"/>
2.	Amount from your 2020 Form 1040, 1040-SR, or 1040-NR, line 3a*	2.	<input type="text"/>
3.	Did you file Schedule D in 2020?*		
	<input type="checkbox"/> <b>Yes.</b> Enter the <b>smaller</b> of line 15 or 16 of your 2020 Schedule D, but don't enter less than -0-	}	3. <input type="text"/>
	<input type="checkbox"/> <b>No.</b> Enter the amount from your 2020 Form 1040, 1040-SR, or 1040-NR, line 7.		
4.	Add lines 2 and 3	4.	<input type="text"/>
5.	Amount, if any, from your 2020 Form 4952, line 4g	5.	<input type="text"/>
6.	Subtract line 5 from line 4. If zero or less, enter -0-	6.	<input type="text"/>
7.	Subtract line 6 from line 1. If zero or less, enter -0-	7.	<input type="text"/>
8.	Enter one of the following three amounts depending on your filing status.	}	8. <input type="text"/>
	• \$40,000 if single or married filing separately.		
	• \$80,000 if married filing jointly or qualifying widow(er). • \$53,600 if head of household.		
9.	Enter the smaller of line 1 or line 8	9.	<input type="text"/>
10.	Enter the smaller of line 7 or line 9	10.	<input type="text"/>
11.	Subtract line 10 from line 9. This amount is taxed at 0%	11.	<input type="text"/>
12.	Enter the smaller of line 1 or line 6	12.	<input type="text"/>
13.	Enter the amount from line 11	13.	<input type="text"/>
14.	Subtract line 13 from line 12	14.	<input type="text"/>
15.	Enter one of the following amounts depending on your filing status:	}	15. <input type="text"/>
	• \$441,450 if single.		
	• \$248,300 if married filing separately.		
	• \$496,600 if married filing jointly or qualifying widow(er). • \$469,050 if head of household.		
16.	Enter the smaller of line 1 or line 15	16.	<input type="text"/>
17.	Add lines 7 and 11	17.	<input type="text"/>
18.	Subtract line 17 from line 16. If zero or less, enter -0-	18.	<input type="text"/>
19.	Enter the smaller of line 14 or line 18	19.	<input type="text"/>
20.	Multiply line 19 by 15% (0.15)	20.	<input type="text"/>
21.	Add lines 11 and 19	21.	<input type="text"/>
22.	Subtract line 21 from line 12	22.	<input type="text"/>
23.	Multiply line 22 by 20% (0.20)	23.	<input type="text"/>
24.	Figure the tax on the amount on line 7. Use the 2020 Tax Rate Schedules	24.	<input type="text"/>
25.	Add lines 20, 23, and 24	25.	<input type="text"/>
26.	Figure the tax on the amount on line 1. Use the 2020 Tax Rate Schedules	26.	<input type="text"/>
27.	<b>Tax.</b> Enter the <b>smaller</b> of line 25 or line 26 here and on your 2021 Schedule J, line 16. If for 2020 you filed Form 2555, don't enter this amount on Schedule J, line 16. Instead, enter it on line 4 of the 2020 Foreign Earned Income Tax Worksheet	27.	<input type="text"/>

\* If for 2020 you filed Form 2555, see the footnote in the 2020 Foreign Earned Income Tax Worksheet before completing this line.

**2020 Foreign Earned Income Tax Worksheet—Line 16**

Keep for Your Records



Use this worksheet if you claimed the foreign earned income exclusion or housing exclusion on your 2020 Form 1040 or 1040-SR using Form 2555. However, if Schedule J, line 15, is zero or less, don't complete this worksheet.

<b>1.</b> Enter the amount from your 2021 Schedule J, line 15 .....	<b>1.</b>	_____
<b>2a.</b> Enter the amount from your (and your spouse's, if filing jointly) 2020 Form 2555, lines 45 and 50 .....	<b>2a.</b>	_____
<b>b.</b> Enter the total amount of any itemized deductions or exclusions you could not claim for 2020 because they were related to excluded income .....	<b>b.</b>	_____
<b>c.</b> Subtract line 2b from line 2a. If zero or less, enter -0- .....	<b>c.</b>	_____
<b>3.</b> Add lines 1 and 2c .....	<b>3.</b>	_____
<b>4. Figure the tax on the amount on line 3.</b> Use the 2020 Tax Rate Schedules, the 2020 Qualified Dividends and Capital Gain Tax Worksheet,* or the 2020 Schedule D Tax Worksheet in the 2020 Schedule D instructions,* whichever applies .....	<b>4.</b>	_____
<b>5. Figure the tax on the amount on line 2c.</b> Use the 2020 Tax Rate Schedules .....	<b>5.</b>	_____
<b>6.</b> Subtract line 5 from line 4. Enter the result. If zero or less, enter -0-. Also include this amount on your 2021 Schedule J, line 16 .....	<b>6.</b>	_____

\* Enter the amount from line 3 above on line 1 of the 2020 Qualified Dividends and Capital Gain Tax Worksheet or the 2020 Schedule D Tax Worksheet if you use either of those worksheets to figure the tax on line 4 above. Complete the rest of that worksheet through line 6 (line 10 if you use the Schedule D Tax Worksheet). Next, you must determine if you had a capital gain excess. To find out if you had a capital gain excess, subtract the amount from your 2021 Schedule J, line 15, from line 6 of your 2020 Qualified Dividends and Capital Gain Tax Worksheet (line 10 of your 2020 Schedule D Tax Worksheet). If the result is more than zero, that amount is your capital gain excess.

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

If you had a capital gain excess, complete a second 2020 Qualified Dividends and Capital Gain Tax Worksheet or 2020 Schedule D Tax Worksheet (whichever applies) as instructed above but in its entirety and with the following additional modifications. Then complete lines 5 and 6 above. These modifications are to be made only for purposes of filling out the 2020 Foreign Earned Income Tax Worksheet above.

1. Reduce (but not below zero) the amount you would otherwise enter on line 3 of your 2020 Qualified Dividends and Capital Gain Tax Worksheet or line 9 of your 2020 Schedule D Tax Worksheet by your capital gain excess.
2. Reduce (but not below zero) the amount you would otherwise enter on line 2 of your 2020 Qualified Dividends and Capital Gain Tax Worksheet or line 6 of your 2020 Schedule D Tax Worksheet by any of your capital gain excess not used in (1) above.
3. Reduce (but not below zero) the amount on your 2020 Schedule D (Form 1040), line 18, by your capital gain excess.
4. Include your capital gain excess as a loss on line 16 of your 2020 Unrecaptured Section 1250 Gain Worksheet in the 2020 Instructions for Schedule D (Form 1040).

**Lines 19, 20, and 21**

For example, your “tax” line may, in addition to the tax imposed by section 1, include amounts from Form 8814 or

4972; amounts from the recapture of an education credit; or a repayment amount for any excess of advance monthly payments of the health coverage tax credit.

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