

Sick-Pay Exclusion

▶ Attach to Form 1040.

1973

Name of taxpayer		Social Security Number
Period of absence from work (see instruction C) From _____, 19____, to _____, 19____		Were you hospitalized (bed patient) at least one day during this period? . . . <input type="checkbox"/> Yes <input type="checkbox"/> No
Regular weekly rate of wages (see instruction G) ▶ \$	Number of workdays in your normal workweek ▶	Nature of illness or injury
Name of employer		Payer of sick pay, if other than employer

Part I General (Disability Retirees See Part IV and Instruction K)

1 Total workdays in this period of absence for which you were paid (see instruction D)		
2 Workdays in the first 30 calendar days for which you were paid		
3 Workdays after the first 30 calendar days for which you were paid (if any)		
4 Total amount received as "sick pay"		\$
5 Daily rate of "sick pay" (line 4 divided by line 1) (see instruction F)		\$

Part II Use this Part if Sick Pay is 75% or Less of Your Regular Weekly Rate of Wages

6 Number of workdays from line 2		
7 Limitation: If you were not hospitalized, enter the number of workdays for which you were paid in the first 7 calendar days of absence. If you were hospitalized, enter ZERO		
8 Balance (line 6 less line 7)		\$
9 \$75 divided by the number of workdays in a normal workweek (maximum daily rate)		\$
10 Enter the amount on line 5, or line 9, whichever is smaller		\$
11 Multiply the amount on line 10 by the number of days on line 8		\$
<i>Note: Omit lines 12, 13, 14, and 15, if your period of absence was 30 calendar days or less.</i>		
12 \$100 divided by the number of workdays in a normal workweek (maximum daily rate after the first 30 calendar days)		\$
13 Enter the amount on line 5, or line 12, whichever is smaller		\$
14 Enter the number of workdays from line 3		\$
15 Multiply the amount on line 13 by the number of days on line 14		\$
16 Enter the amount shown on line 11		\$
17 Total (line 15 plus line 16)		\$
18 "Sick pay" for that period of absence listed in Part I received in another taxable year (see instruction E)		\$
19 Total "sick pay" exclusion (line 17 less line 18). Enter here and on line 39, Form 1040		\$

Part III Use this Part if Sick Pay is More than 75% of Your Regular Weekly Rate of Wages

20 Daily rate of "sick pay" from line 5		
21 \$100 divided by the number of workdays in a normal workweek (maximum daily rate)		\$
22 Enter the amount on line 20 or 21, whichever is smaller		\$
23 Number of workdays from line 3		\$
24 Multiply the amount on line 22 by the number of days on line 23		\$
25 "Sick pay" for that period of absence listed in Part I received in another taxable year (see instruction E)		\$
26 Total "sick pay" exclusion (line 24 less line 25). Enter here and on line 39, Form 1040		\$

Part IV Disability Retirees

You need to complete only line 27 or line 28 below to claim your "sick pay" exclusion if none of these five conditions apply: (1) you were retired within the last month of the preceding taxable year and the "waiting period" extended into this taxable year; (2) you have reached retirement age; (3) there was a change in the rate of your annuity during the year whereby some payments were made at a rate less than \$100 per week, while other payments were made at a rate of \$100 or more per week; (4) your disability pension or annuity was paid to you for less than the entire taxable year; or (5) your "sick pay" exclusion exceeds \$5,200. If any of these five conditions apply, you must complete Parts I and II or III, whichever is applicable, to claim any "sick pay" exclusion.

27 If total disability payments received this taxable year were less than \$5,200, enter total received here and on line 39, Form 1040		
28 If total disability payments received this taxable year were \$5,200 or more, enter \$5,200 here and on line 39, Form 1040		\$

Instructions

If your Wage and Tax Statement, Form W-2, shows excludible sick pay, you do not have to file Form 2440. Attach Form W-2 to your Form 1040 and claim the excludible sick pay on line 39.

A. Sick Pay Exclusion.—A limited exclusion from gross income of qualified "sick pay" is allowable for the year in which you received the sick pay, even though all or a part of the absence may have occurred in the year before.

B. Definitions.—**Sick Pay.**—"Sick pay" is all or part of those wages or payments (if you have not reached retirement age) you received under a wage continuation plan for a period of absence from work on account of personal injury or sickness.

Retirement Age.—"Retirement age" is (1) the earliest age at which you could retire and receive full or prorated benefits for reasons other than disability and without the consent of your employer; or (2) the age at which it has been the practice of your employer to terminate the services of the class of employees to which you belonged because of age.

Termination of Sick Pay Exclusion of Retired Disabled Employees.—Payments received after you reach "retirement age" should be reported in Part I of Schedule E (Form 1040).

C. Period of Absence From Work.—Enter the dates for one period of absence from work. A period of absence for computing your "sick pay" starts the moment you become absent from work and ends the moment you return. The beginning date must be a normal working day. Thus, if you became sick on Sunday, September 10, 1972 (a nonworkday) and did not return to work until Thursday, January 18, 1973, you would have shown as your period of absence on your 1972 Form 2440 9/11/72 to 1/1/73. The actual date that the period of absence began should be shown on your 1973 return, even though it occurred in the prior year and was reported on your 1972 Form 2440. Thus, you would show as your period of absence on your 1973 Form 2440 9/11/72 to 1/18/73. (Provision is made in lines 18 and 25 to subtract out the sick pay that you received in another taxable year.) If you were absent for more than one period, complete a separate Form 2440 for each period of absence. If you use more than one Form 2440, total the "sick pay" exclusion shown on line 19 or line 26 of these forms, and enter the total on line 39, Form 1040.

D. Total Workdays.—Count all normal workdays for which you are paid in the period of absence from work reported on this form. Include paid holidays, but exclude Saturdays and Sundays unless they are normal workdays for which you are paid. Include any normal workdays within the period of absence that fall before the beginning of your taxable year.

Example: For the absence from 9/11/72 to 1/18/73 discussed in instruction C, the workdays to be reported in lines 1, 2, and 3 of Form 2440 for 1972 and 1973, respectively, are as follows:

	1972	1973
Total workdays in this period of absence	80	93
Workdays in the first 30 calendar days	—21	—21
Workdays after the first 30 calendar days	59	72

E. Sick Pay Received in Another Taxable Year.—Lines 18 and 25 permit you to subtract out the sick pay that you received in another taxable year. In the example shown in instruction C above where the absence from 9/11/72 to 1/1/73 was shown on your 1972 Form 2440, you would subtract out the sick pay for that period that you did not receive in 1972. If the last pay period for which you received pay in 1972 was the pay period ended on December 23, 1972, then you must subtract out the sick pay you received for the 5 workdays in the period 12/24/72 through 12/31/72 on line 18 or 25, whichever is appropriate.

On your 1973 Form 2440 you would subtract out the sick pay reported on line 19 or 26 of your 1972 Form 2440.

F. Daily Rate of Sick Pay.—If you receive "sick pay" at a weekly rate of \$100 or more for part of a period of absence but at a weekly rate of less than \$100 for the remainder of the period your daily rate of sick pay differs for the two parts, and you must submit a separate Form 2440 for each of the two parts of that period. This will permit you to claim the maximum exclusion allowable for the period during which your weekly rate was \$100 or more, and will limit your exclusion to the amount of sick pay you received for the period during which your weekly rate was less than \$100. On the Form 2440 for the first part of the period, show as the ending date of the period of absence the last day for which you received sick pay at the daily rate shown in line 5 of that Form 2440. On the Form 2440 for the second part of the period, show as the beginning date of the period of absence the first day for which you received sick

pay at the daily rate entered in line 5 of that form. On the second Form 2440, omit lines 2 and 3 of Part I. Also omit lines 6 through 11 and 16 and 18 if Part II is used (omit line 25 if Part III is used). On line 14 (or line 23) enter the total workdays from line 1 rather than from line 3. If any required "waiting period" was taken into account on the first of these forms, none is required on the second of them. Write "See other Form 2440 for remainder of period" on both forms to ensure association of the two forms.

In other situations where your daily rate of sick pay varies during your period of absence from work, consult any Internal Revenue Service office.

G. Regular Weekly Rate of Wages.—To determine what is your regular weekly rate of wages, you must convert wages paid for any pay period other than a weekly pay period into a weekly rate or weekly rates of payment. Determine your regular weekly rate of wages or weekly rate of "sick pay" in the following manner:

(1) **Weekly Pay Period.**—If paid on the basis of a weekly pay period, this is the weekly rate.

(2) **Biweekly Pay Period.**—If paid on a biweekly pay period, the weekly rate is one-half of the biweekly rate.

(3) **Semimonthly Pay Period.**—If paid semimonthly, the weekly rate is the semimonthly rate multiplied by 24 and divided by 52.

(4) **Monthly Pay Period.**—If paid monthly, the weekly rate is the monthly rate multiplied by 12 and divided by 52.

(5) **Other Pay Period.**—If paid on any other basis, the weekly rate is the annual rate divided by 52.

If your income fluctuates, compute your regular weekly rate of wages in the following manner:

Add your weekly rate of wages for the last 4 weeks immediately preceding the commencement of the period of absence and divide the total by 4. Remember, your regular weekly rate of wages must include such items as commissions and overtime pay.

The 4 weeks used must fall within a full pay period or full pay periods. A pay period is the period of time for which payments of wages are made to you. For example, weekly, bi-weekly, or monthly. If you were absent from work for 3 or more normal working days during any pay period falling within the 4-week period, or if you do not qualify because of unusual pay periods, consult any Internal Revenue Service office for other methods of computing your regular weekly wage.

H. Part I.—Except as provided for in instructions F and K, you must complete all information in Part I on each Form 2440 you file.

I. Part II.—If your sick pay for the first 30 calendar days (or shorter period) is 75 percent or less of your regular weekly rate of wages and you are not a disability retiree entitled to use Part IV, you must complete Part II. This Part gives effect to the law which provides, in these circumstances, that the waiting period is 7 calendar days, and the exclusion is limited to a rate not to exceed \$75 a week. There is no exclusion for the waiting period regardless of whether you were sick or injured, unless you were hospitalized at least 1 day during the period of absence. After 30 calendar days the weekly rate of exclusion is increased to an amount not to exceed \$100.

J. Part III.—If your sick pay for the first 30 calendar days (or longer period) of absence is more than 75 percent of your regular weekly rate of wages and you are not a disability retiree entitled to use Part IV, you must complete Part III. This Part gives effect to the law which provides, in these circumstances, for a waiting period of 30 calendar days before you qualify for the exclusion. The waiting period applies even though you were injured or hospitalized. The amount to be excluded thereafter is limited to a rate not to exceed \$100 a week.

K. Disability Retirees.—If you receive a Form W-2P showing the amount of your disability pension or annuity which is excludible as sick pay, you do not have to file Form 2440. Attach Form W-2P to your Form 1040 and claim the excludible sick pay on line 39.

If your W-2P does not show the amount of excludible sick pay and none of the conditions listed in Part IV apply to you, complete Part IV of Form 2440. Otherwise, you must complete Part I and Part II or Part III, whichever is applicable, of Form 2440.

L. Additional Information.—For detailed information on "sick pay," obtain Publication 522, "Adjustments to Income for Sick Pay," which is available free from your District Director.