Disability Income Exclusion
(Applies Only to Disabled Retirees Under Age 65)

Attach to Form 1040. See Instructions on back.

Name(s) as shown on Form 1040

See Line 4 Instructions for Income Limits on Exclusion

Date you retired (if after December 31, 1976, also enter this date in the space after box (2) on physician's statement below).

Employer's name (also give payer's name, if other than employer)

Yourself

Spouse

Joint return filers use column (a) for wife and column (b) for husband. All other filers use column (b) only.

(a)

(b)

Note: To take the disability income exclusion, you must complete lines 1 through 5.

1 Enter total disability pay you received during 1983.

2 Excludable disability pay (see instructions):
   (i) Multiply $100 by the number of weeks for which your disability payments were at least $100. Enter total
   (ii) If you received disability payments of less than a $100 for any week, enter the total amount you received for all such weeks
   (iii) If you received disability payments for less than a week, enter the smaller amount of either the amount you received or the highest exclusion allowable for the period (see instructions)
   (iv) Add lines (i), (ii), and (iii). Enter total

3 Add amounts on line 2(iv), columns (a) and (b). Enter total

4 Limit on exclusion (see instructions):
   (i) Enter total income from Form 1040, line 22
   (ii) Add amounts on Form 1040, lines 23 through 28 and any write-in adjustments on line 31. Enter total
   (iii) Subtract line (ii) from line (i)
   (iv) Amount used to figure any exclusion decrease
   (v) Subtract line (iv) from line (iii). If line (iv) is more than line (iii), enter zero

5 Subtract line 4(v) from line 3. This is your disability income exclusion. Enter here and on Form 1040, line 30.

6 If you filed a physician's statement for this disability in an earlier year, please check this box. You do not have to file another statement. If you have not, you must file a physician's statement (see below).

For Paperwork Reduction Act Notice, see Instructions on back.

Physician's Statement of Permanent and Total Disability

Please complete and return to taxpayer.

Name of disabled taxpayer

Social security number

I certify that the taxpayer named above was (check only one box—please see instructions below):


(2)   Permanently and totally disabled on the date he or she retired. Date retired

Physician's name

Physician's address

Physician's signature

Date

Instructions for Statement

Taxpayer

Please enter your name and social security number. If you retired after December 31, 1976, enter your retirement date in the space after box (2).

Physician

Box (1) applies to taxpayers who retired before January 1, 1977.

Box (2) applies to taxpayers who retired after December 31, 1976.

What is Permanent and Total Disability?

A person is permanently and totally disabled when—

- He or she cannot engage in any substantial gainful activity because of a physical or mental condition; and
- A physician determines that the disability (a) has lasted or can be expected to last continuously for at least a year; or (b) can be expected to lead to death.
### General Instructions

**Paperwork Reduction Act Notice.**—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

### A. Purpose of Form

If you retired on disability, you must include all of your disability income on Form 1040, line 7 (see Instruction D for exception). However, you may be able to exclude part of it from the income on which you are taxed. To do that, you must meet the tests explained below. For details, please see Publication 522, Disability Payments.

### B. Who Can Exclude Disability Income

You may take the exclusion for 1983 if you meet all these tests:

- You received disability pay.
- You were not yet 65 when your tax year ended.
- You retired on disability and were permanently and totally disabled when you retired. (See Instruction C, What is Permanent and Total Disability?)

When you meet these tests, you can take the exclusion until the earliest of the following dates:

1. The first day of the tax year in which you turn 65.
2. The first day of the tax year for which you choose to treat your disability income as a pension instead of the disability income exclusion.
3. The day you reach the age when your employer's retirement program would have required you to retire.

If you meet these tests, you can take the exclusion until the earliest of the above dates. You are required to give us this information.

### C. What Is Permanent and Total Disability

(See also instructions for Physician's Statement.)

- On January 1, 1983, you had not yet reached the age when your employer's retirement program would have required you to retire.
- You did not let IRS know that you chose to treat your disability income as a pension instead of the disability income exclusion.
- If you were married at the end of 1983, you must file a joint return. (This rule does not apply if you did not live with your spouse at any time in 1983. If this is the case, write on the Spouse line on page 1, "I did not live with my spouse during the tax year.")

If you meet these tests, you can take the exclusion until the earliest of the following dates:

1. The first day of the tax year in which you turn 65.
2. The first day of the tax year for which you choose to treat your disability income as a pension (See Instruction D.)
3. The day you reach the age when your employer's retirement program would have required you to retire.

### D. Treating Disability Income as a Pension

(See Instruction D.)

If you were permanently and totally disabled, you may choose to treat your disability income as a pension instead of the disability income exclusion. To do this, you must file a joint return. (This rule does not apply if you did not live with your spouse at any time in 1983. If this is the case, write on the Spouse line on page 1, "I did not live with my spouse during the tax year.")

If you meet these tests, you can take the exclusion until the earliest of the following dates:

1. The first day of the tax year in which you turn 65.
2. The first day of the tax year for which you choose to treat your disability income as a pension (See Instruction D.)
3. The day you reach the age when your employer's retirement program would have required you to retire.

### Specific Instructions

**Lines 2(i) and (ii).**—You can exclude either your actual weekly disability pay or $100 a week, whichever is less. This table shows how to figure your weekly disability pay.

<table>
<thead>
<tr>
<th>Pay period</th>
<th>Your weekly pay is the following part of what you receive each pay period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly . . . All</td>
<td></td>
</tr>
<tr>
<td>Every 2 weeks . . . Half</td>
<td></td>
</tr>
<tr>
<td>Twice a month . Multiply your pay by 24, and divide the result by 52</td>
<td></td>
</tr>
<tr>
<td>Each month . Multiply your pay by 12, and divide the result by 52</td>
<td></td>
</tr>
<tr>
<td>Other . . . . . . Divide your yearly pay by 52</td>
<td></td>
</tr>
</tbody>
</table>

**Example:** John, who retired on disability, took a job with a former employer on a trial basis. The purpose of the job was to see if John could do the work. The trial period lasted for some time during which John was paid at a rate equal to the minimum wage. However, because of John's disability, only light duties of a nonproductive make-work nature were given him. Unless the activity is both substantial and gainful, John is not engaged in a substantial gainful activity. The activity was gainful because John was paid at a rate at or above the minimum wage. However, the activity was not substantial because the duties were of a nonproductive, make-work nature. Therefore, these facts do not, by themselves, establish John's ability to engage in substantial gainful activity.