

Instructions for Form

1994 1040



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

Check Your Social Security Numbers (SSNs)!

Incorrect or missing SSNs for you, your spouse, or dependents may delay your refund. See page 7 for details on how to get an SSN.

Can You Take the Earned Income Credit for 1994?

If a child didn't live with you, you earned less than \$9,000, and you or your spouse were at least age 25, you may be able to take this credit. If a child lived with you and you earned less than \$25,296, you may be able to take a larger credit. See the instructions for line 56 on page 27.

Would You Like To Get Your Refund Within 21 Days?

If you would, have your return filed electronically as millions of others do. See **Electronic Filing** on page 5.

Note: *This booklet does not contain any tax forms.*



Department of the Treasury
Internal Revenue Service

What's inside?

Answers to frequently asked questions (page 6)

Avoid common mistakes (page 33)

Commissioner's message (page 3)

Customer Service Standards (page 3)

What's new for 1994 (page 7)

How to make a gift to reduce the public debt (page 34)

Free tax help (page 5)

How to get forms and publications (page 35)

Tax table (page 41)



Department
of the
Treasury

**Internal
Revenue
Service**

Instructions for Form 1040

Table of Contents

Commissioner's Message	3	Section 4— General Information	34
Customer Service Standards for 1995	3	What Are My Rights as a Taxpayer?	34
Privacy Act and Paperwork Reduction Act Notice	4	Income Tax Withholding and Estimated Tax Payments for 1995	34
Electronic Filing	5	Do Both the Name and SSN on Your Tax Forms Agree With Your Social Security Card?	34
What Free Tax Help Is Available?	5	How Do I Make a Gift To Reduce the Public Debt?	34
Recycling	5	Address Change	34
Answers to Frequently Asked Questions	6	Corresponding With the IRS	34
Section 1— Before You Fill In Form 1040	7	How Long Should Records Be Kept?	34
What's New for 1994?	7	Requesting a Copy of Your Tax Return	34
Earned Income Credit With Your Pay	7	Amended Return	34
Section 2— Filing Requirements	8	Death of Taxpayer	34
Do I Have To File?	8	How To Get Forms and Publications	35
Which Form Should I Use?	9	Call the IRS With Your Tax Question	37
When Should I File?	9	What Is Tele-Tax?	38
Where Do I File?	10	Tele-Tax Topics	39
Where To Report Certain Items From 1994 Forms W-2, 1098, and 1099	11	Section 5— Interest and Penalties	40
Section 3— Line Instructions for Form 1040	12	Section 6— Tax Table and Tax Rate Schedules	41
Name, Address, and Social Security Number (SSN)	12	Tax Table	41
Presidential Election Campaign Fund	12	Tax Rate Schedules	53
Filing Status	12	Section 7— Instructions for Schedules to Form 1040	A-1
Exemptions	13	Index	Inside Back Cover
Income	15	Major Categories of Federal Income and Outlays for Fiscal Year 1993	Back Cover
Adjustments to Income	19		
Adjusted Gross Income	23		
Tax Computation	23		
Credits	24		
Other Taxes	25		
Payments	27		
Earned Income Credit (EIC)	27		
Refund or Amount You Owe	32		
Sign Your Return	33		
Avoid Common Mistakes	33		
Assemble Your Return	33		



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

COMMISSIONER

Dear Taxpayer:

The Internal Revenue Service has embarked on several major initiatives that will improve our service to you, the American taxpayer.

The National Performance Review (NPR), chartered by the President and led by the Vice President, conducted an extensive review of the Federal government. Its purpose is to ensure a government that works for people. The NPR recognized the Internal Revenue Service as a leader among government agencies in customer service, but challenged the IRS to make even more progress toward customer service, with emphasis on quality, fairness, and efficiency. Improving customer service is central to the job of reinventing government to make it work better and cost less.

IRS accepted the NPR's challenge. Our plans for customer service are a major step toward making better IRS customer service a reality.

I want you to know that the "S" in IRS represents a commitment to serve you. We intend to meet your needs and expectations as taxpayers and as customers. If the service you receive from the IRS does not measure up to our Customer Service Standards, please let us know.

We are also increasing our efforts to ensure accuracy of return information, particularly Social Security Numbers. Not providing correct information may delay your tax refund until accurate information is provided.

With improved service and increased accuracy, I believe that, together, we can make this the most effective filing season ever.

Margaret Milner Richardson

Customer Service
Standards for 1995



For 1995, we have set the following Customer Service Standards.

- To make it easier for you to meet your tax obligations, we will expand your opportunity for simplified return filing and payment of your taxes through our electronic filing, joint federal/state filing, touchtone phone, and electronic payment programs.
- You will have more convenient access to tax law and account information. Our pre-recorded tax information will continue to be available 24 hours a day, 7 days a week, and access to refund status information will be extended. We will also extend the time that you will be able to contact our tax assistants to 10 hours each business day. (See pages 37 and 38.)
- Our goal is to answer your questions and process your tax returns accurately. To reach that goal, we will continue to make improvements yearly.

- If you file a complete and accurate tax return and you are due a refund, your refund will be issued within 40 days if you file a paper return or within 21 days if you file electronically.
- Our goal is to resolve your account inquiries with one contact. To reach that goal, we will make improvements yearly.
- If you provide sufficient and accurate information to our tax assistants but are given and reasonably rely on an incorrect answer, we will cancel related penalties.
- If you have a problem that has not been resolved through normal processes, you may contact our Problem Resolution Office. A caseworker will contact you within one week and will work with you to resolve the problem. (See page 5.)
- We will make tax forms and instructions simpler and easier for you to use. We made some good changes this year, but we want your ideas for future improvements. Please call us toll free or write to us. (See page 4.)

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 all papers you file with us, including this tax return. 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 simpler, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Attention: Tax Forms Committee, PC:FP, Washington, DC 20224; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-0074), Washington, DC 20503. **Or**, you can call the IRS with your suggestions at 1-800-829-9043 and leave a recorded message 24 hours a day, 7 days a week.

DO NOT send your return to either of these addresses. Instead, see **Where Do I File?** on page 10.

Estimated Preparation Time

The time needed to complete and file Form 1040 and its schedules 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., 53 min.	4 hr., 41 min.	53 min.
Sch. A	2 hr., 32 min.	26 min.	1 hr., 10 min.	27 min.
Sch. B	33 min.	8 min.	17 min.	20 min.
Sch. C	6 hr., 26 min.	1 hr., 10 min.	2 hr., 5 min.	35 min.
Sch. C-EZ	46 min.	4 min.	18 min.	20 min.
Sch. D	51 min.	42 min.	1 hr., 1 min.	41 min.
Sch. E	2 hr., 52 min.	1 hr., 7 min.	1 hr., 16 min.	35 min.
Sch. EIC		2 min.	4 min.	5 min.
Sch. F:				
Cash Method	4 hr., 2 min.	35 min.	1 hr., 14 min.	20 min.
Accrual Method	4 hr., 22 min.	25 min.	1 hr., 19 min.	20 min.
Sch. R	20 min.	15 min.	22 min.	35 min.
Sch. SE:				
Short	20 min.	13 min.	11 min.	14 min.
Long	26 min.	22 min.	34 min.	20 min.

Electronic Filing



Last year, 14 million people filed their tax returns electronically. Electronic filing offers the following benefits:

- **Accuracy.** Computer programs quickly catch mistakes before they become problems.
- **Acknowledgment.** The IRS notifies your transmitter that your return has been received and accepted.
- **Refunds.** If you file a complete and accurate return, your refund will be issued within 21 days.* You can also get the convenience and safety of direct deposit.
- **File now, pay later.** If you owe tax, file early and pay by April 17, 1995.
- **Simultaneous Federal/state filing.** You may be able to file your state return electronically with your Federal return. Check with your preparer or transmitter.

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, call Tele-Tax (see page 38) and listen to topic 252.

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 is shorter than the regular tax return and can be processed faster and more accurately. 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, call Tele-Tax (see page 38) and listen to topic 251.

* Some refunds may be temporarily delayed as a result of compliance reviews to ensure that the returns are accurate.

What Free Tax Help Is Available?

Tax Forms and Publications. You can answer most of your tax questions by reading the tax form instructions or one of our many free tax publications. See page 35.

Refund Information. Our **Tele-Tax** service can tell you the status of your refund. See page 38.

Recorded Tax Information by Telephone. Tele-Tax also has recorded tax information covering many topics. See page 38 for the number to call.

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 37.

Send the IRS Written Questions. You may send your written tax questions to your IRS District Director. You should get an answer in about 30 days. If you don't have the address, you can get it by calling the number for your area on page 37.

Walk-In Help. Assistors are available in most IRS offices throughout the country to help you prepare your return. An assistor will explain a Form 1040EZ, 1040A, or 1040 with Schedules A and B to you and a number of other taxpayers in a group setting. To find 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 number for your area on page 37. If you got a Federal income tax package in the mail, take it with you when you go for help.

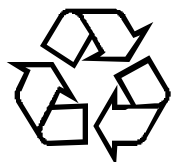
Videotaped Instructions for completing your return are available in English and Spanish at many libraries.

Large-Print Forms and Instructions. **Pub. 1614** has large-print copies of Form 1040, Schedules A, B, D, E, EIC, and R, and their instructions. You can use the large-print form and schedules as worksheets to figure your tax. To get Pub. 1614, call 1-800-TAX-FORM (1-800-829-3676).

Telephone Help for People With Impaired Hearing is available. See page 37 for the number to call. **Braille Materials** are available at regional libraries that have special services for people with disabilities.

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. People with impaired hearing 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. For more details, call Tele-Tax (see page 38) and listen to topic 104 or get **Pub. 1546**.

Recycling



The IRS tries to use recycled paper for all of its forms and instructions. 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 a copy of your return and any worksheets you used.

Answers to Frequently Asked Questions

How can I check on the status of my refund?

Call **Tele-Tax** to get automated refund information. See page 38 for the number.

I just completed my return and find that I owe the IRS money. What should I do?

You should file your return even if you can't pay all of the amount you owe. File by April 17, 1995, and pay as much as possible. By filing on time, you avoid the late filing penalty. By paying as much of the amount you owe as possible, you reduce the amount of interest and late payment penalty that you will owe. For more details on interest and penalties, see page 40.

Can I ask to make installment payments on the amount I owe?

Yes. However, you will be charged interest and a late payment penalty on the tax not paid by April 17, 1995, even if your request to pay in installments is granted. For more details on installment payments, see the instructions for line 64 on page 32.

If I won't be able to finish my return by April 17, 1995, can I get an extension?

Yes. You can get an extension by filing **Form 4868**, Extension of Time To File U.S. Individual Income Tax Return, by April 17, 1995. By filing the extension, you avoid the late filing penalty. However, Form 4868 does not extend the time to pay your income tax.

What can I do to make sure I will not owe the IRS on my 1995 return?

You can either increase the amount of income tax withheld from your pay or make estimated tax payments for 1995. See **Tax Withholding and Estimated Tax Payments for 1995** on page 34 for details.

I just received my tax package in the mail. Why are there so many forms and schedules in it?

We print several packages that include different forms and schedules that may be filed with Form 1040. We mail you the package that includes the items you may need based on what you filed last year. We use packages instead of mailing forms and schedules separately as a cost-saving measure for us and as a convenience for you.

Do I have to file all the forms and schedules that are in my tax package?

No. Complete and attach to your return only the forms and schedules you need to report your income, deductions, and credits.

How can I get forms and publications?

Call 1-800-TAX-FORM (1-800-829-3676) during the times shown on page 35; or visit your local IRS office, participating library, bank, or post office; or use the order blank (see page 35).

Can I get the earned income credit?

You may be able to take this credit if a child didn't live with you and you earned less than \$9,000. You may also be able to take this credit if a child lived with you and you earned less than \$25,296. But other rules apply. For details, see the instructions for line 56 on page 27.

I'm concerned about the public debt. Can I make a payment to reduce it?

Yes. See **How Do I Make a Gift To Reduce the Public Debt?** on page 34 for details.

Although we supported our unmarried, 19-year-old daughter, she spent most of 1994 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.

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 15, call the number listed on page 37 for your area. We will ask you for certain information. For details, see the instructions for line 7 on page 15.

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 1994?

No. A 401(k) plan is not an IRA. The amount you contributed is not included as income in box 1 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 1994 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.

What is "itemizing"? How can I tell if it will help me?

You itemize deductions by filing Schedule A with Form 1040. On Schedule A, you list amounts you paid during the year for certain items such as medical and dental care, state and local income taxes, real estate taxes, home mortgage interest, and gifts to charity. If your itemized deductions are more than your standard deduction, your Federal income tax will be less if you itemize.

I refinanced my home in 1994 and paid "points." Can I deduct the entire amount as interest on my 1994 return?

No. Points paid solely to refinance your home cannot be deducted in the year paid. Instead, they must be deducted over the life of the loan. For more details, get **Pub. 936**, Home Mortgage Interest Deduction.

I sold my home in 1994. Do I have to report the sale?

Yes. Use **Form 2119**, Sale of Your Home. You must report the sale even if you sold your home at a loss. You must also report the sale even if you are eligible to exclude or postpone part or all of the gain or you replaced your home.

Can I get the credit for the elderly or the disabled?

If you were age 65 or older or disabled and your income is less than \$17,500 (less than \$25,000 if married filing jointly), you may be able to take this credit. For details, see the instructions for line 42 on page 25.

What are the standard mileage rates for 1994?

The rate for business use is generally 29 cents per mile. The rate for travel to get medical care is 9 cents per mile. The rate for travel for deductible volunteer work is 12 cents per mile.

Section 1.

Before You Fill In Form 1040

Why not have your tax return filed electronically? See page 5 for details.

*If you were a participant in **Operation Desert Storm**, get **Pub. 945**, *Tax Information for Those Affected by Operation Desert Storm*.*

What's New for 1994?

Social Security Numbers (SSNs)

Make sure you enter the SSN of each dependent age 1 or older. If you don't have the mailing label, also be sure to enter your SSN and your spouse's SSN. If you don't enter an SSN or if the SSN you enter is incorrect, it will take us longer to issue any refund shown on your return. To apply for an SSN, get **Form SS-5** from your local Social Security Administration (SSA) office or call the SSA at 1-800-772-1213. Fill it in and return it to the SSA. It usually takes about 2 weeks to get a number. If you won't have an SSN by April 17, 1995, see **When Should I File?** on page 9.

Earned Income Credit

If you do not have any qualifying children, you earned less than \$9,000, and you or your spouse were at least age 25, you may be able to take this credit. See the instructions for line 56 on page 27. If you can take the credit, you **do not** have to file **Schedule EIC**.

If you have one qualifying child and you earned less than \$23,755, you may be able to take a larger credit. If you have two or more qualifying children, you must have earned less than \$25,296. See the instructions for line 56 on page 27. If you can take the credit, you **must** attach **Schedule EIC** to your return.

Also, the extra credit for a child born during the year and the health insurance credit are no longer allowed.

Self-Employed Health Insurance Deduction

This deduction expired December 31, 1993. However, at the time Form 1040 was printed, Congress was considering legislation that would allow a deduction for 1994. For later information about this deduction, get **Pub. 553**, *Highlights of 1994 Tax Changes*.

Social Security Benefits

If your income, including one-half of your social security benefits, is over \$34,000 if single (over \$44,000 if married filing jointly), more of your benefits may be taxable. See the instructions for lines 20a and 20b on page 18 for details.

Charitable Contributions

No deduction is allowed for any contribution of \$250 or more unless you have a written statement from the charitable organization containing certain information. See page A-3 for details.

Capital Gain Distributions

The separate line for reporting capital gain distributions when **Schedule D** is not filed has been removed. Instead, capital gain distributions are now reported on line 13. If you have capital gain distributions and don't need to file Schedule D, enter those distributions on line 13. Write "CGD" on the dotted line next to line 13 to indicate that you don't need to file Schedule D.

Moving Expenses

New rules apply to expenses incurred after 1993. The distance test has been increased from 35 to 50 miles and certain expenses are no longer deductible. In addition, expenses incurred in 1994 are deducted on Form 1040, line 24. For more details, get **Form 3903**, *Moving Expenses*, and its instructions or **Form 3903-F**, *Foreign Moving Expenses*.

Travel, Meal, and Entertainment Expenses

Travel expenses for a person (including your spouse or dependent) who accompanied you on business travel are not deductible unless that person is your employee. Also, the travel must be for a bona fide business purpose and would otherwise be deductible by that person. Generally, only 50% of meal and entertainment expenses are deductible.

Club Dues

No deduction is allowed for amounts paid or incurred after 1993 for membership dues in any club organized for business, pleasure, recreation, or other social purpose. This includes business, social, athletic, luncheon, sporting, airline, and hotel clubs.

Payment of Deferred Additional 1993 Taxes

Some higher-income taxpayers owed additional 1993 Federal income taxes due solely to the 1993 income tax rate increases. If you were one of these taxpayers and elected to defer these taxes and pay them in installments by filing **Form 8841**, *Deferral of Additional 1993 Taxes*, with your 1993 return, you have an installment due on April 17, 1995. The installment due is one-half of the amount shown on line 16 of Form 8841. There is no interest on the installment payment if it is made on time. But if you do not make the installment payment by April 17,

1995, the entire amount you deferred will become due and payable upon notice and demand from the IRS. You should receive a reminder notice early in January 1995 showing the installment amount due by April 17, 1995.

You have two options to pay the installment:

- Send a separate check or money order to the IRS by April 17, 1995. The notice you receive in January will include a tear-off voucher for you to send back with your check or money order payable to the Internal Revenue Service. Clearly write your SSN and "1993 OBRA Installment" on your payment. Send your payment with the tear-off voucher in the return envelope included with the notice. If you don't have the tear-off voucher or envelope, send your payment by itself to the Internal Revenue Service Center for the place where you live. The address is shown on page 10. We will apply this payment to your deferred 1993 taxes regardless of any other outstanding debts you may have.

Do not send this payment with your tax return. Also, do not make this payment using a payment voucher other than the one attached to the reminder notice.

- Apply part or all of any refund on your 1994 tax return toward the installment payment. See the instructions for line 62 on page 32 for details.

Tax Law Changes

For more details, see **Pub. 553**.

Earned Income Credit With Your Pay

If you expect to be able to claim the earned income credit in 1995 and a child lives with you, you may be able to get part of the credit in your paycheck instead of waiting until you file your 1995 return. For details, call Tele-Tax (see page 38) and listen to topic 604 or get **Form W-5**, *Earned Income Credit Advance Payment Certificate*, from your employer.

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 1994 and who have elected to be treated as resident aliens.

Exception. Different rules apply to other nonresident aliens and dual-status aliens. They 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 alien. Get **Pub. 519**, U.S. Tax Guide for Aliens, for details, including the rules for students and scholars. Different rules also apply to U.S. citizens who lived in a U.S. possession or had income from a U.S. possession. Get **Pub. 570**, Tax Guide for Individuals With Income From U.S. Possessions. Residents of Puerto Rico can call Tele-Tax (see page 38) and listen to topic 901 to see if they must file a return.

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 or 1040EZ.

Exception for Children Under Age 14

If your child is required to file a return and **all four** 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 was under age 14 on January 1, 1995.
2. Your child had income only from interest and dividends (including Alaska Permanent Fund dividends).
3. Your child's gross income was less than \$5,000.
4. Your child had no Federal income tax withheld from his or her income (backup withholding) and did not make estimated tax payments for 1994.

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 1994. Then, read across to find your filing status and age at the end of 1994. 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 home (even if you may exclude or postpone part or all of the gain).

Marital status	Filing status	Age*	Gross income
Single (including divorced and legally separated)	Single	under 65 65 or older	\$6,250 7,200
	Head of household	under 65 65 or older	\$8,050 9,000
Married with a child and living apart from your spouse during the last 6 months of 1994	Head of household (see page 13)	under 65 65 or older	\$8,050 9,000
		under 65 (both spouses) 65 or older (one spouse) 65 or older (both spouses)	\$11,250 12,000 12,750
Married and living with your spouse at end of 1994 (or on the date your spouse died)	Married, joint return	any age	\$2,450
	Married, separate return	any age	\$2,450
Married, not living with your spouse at end of 1994 (or on the date your spouse died)	Married, joint or separate return	any age	\$2,450
		Single	under 65 65 or older	$6,250 7,200
Widowed before 1994 and not remarried in 1994	Head of household	under 65 65 or older	\$8,050 9,000
	Qualifying widow(er) with dependent child (see page 13)	under 65 65 or older	\$8,800 9,550

* If you turned age 65 on January 1, 1995, you are considered to be age 65 at the end of 1994.

Chart B—For Children and Other Dependents (See the instructions for line 6c on page 13 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 apply 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 \$2,450 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 14.

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 \$3,800

2. **Single dependents 65 or older or blind.** You must file a return if—
- Your earned income was more than \$4,750 (\$5,700 if 65 or older **and** blind), or
 - Your unearned income was more than \$1,550 (\$2,500 if 65 or older **and** blind), or
 - Your gross income was more than the total of your earned income (up to \$3,800) or \$600, whichever is larger, plus \$950 (\$1,900 if 65 or older **and** blind).

3. **Married dependents under 65.** You must file a return if—
- Your earned income was more than \$3,175, 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 \$3,925 (\$4,675 if 65 or older **and** blind), or
 - Your unearned income was more than \$1,350 (\$2,100 if 65 or older **and** blind), or
 - Your gross income was more than the total of your earned income (up to \$3,175) or \$600, whichever is larger, plus \$750 (\$1,500 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 1994, 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 or on group-term life insurance,
 - Alternative minimum tax,
 - Tax on a qualified retirement plan, including an individual retirement arrangement (IRA), or
 - Recapture taxes. (See the instructions for line 49 on page 26.)
2. You received any advance earned income credit (EIC) payments from your employer. These payments should be shown in box 9 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.

Which Form Should I Use?

Because 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. **But** if you cannot use Form 1040A or Form 1040EZ, you **must** use Form 1040.

You May Be Able To Use Form 1040EZ If:

1. You were single or are married filing jointly and do not claim any dependents.
2. You (and your spouse if married filing jointly) were not 65 or older OR blind.
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 (EIC) payments.
6. You do not itemize deductions or claim any adjustments to income.

You can also use Form 1040EZ to claim the earned income credit if you do not have a qualifying child.

Note: If you are married filing jointly and either you or your spouse worked for more than one employer, you cannot use Form 1040EZ if that person's total wages were over \$60,600.

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 1994 or if you can take the exclusion of interest from series EE U.S. savings bonds issued after 1989.

When Should I File?

You should file as soon as you can after January 1, but not later than April 17, 1995. If you file late, you may have to pay penalties and interest. See page 40.

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 17, 1995.

Caution: Form 4868 does not extend the time to pay your income tax. See 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 Do I File?

If an 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.

Mailing Your Return

Envelopes without enough postage will be returned to you by the post office. If your envelope contains more than five pages or is oversized, it may require additional postage. Also, your envelope should include your complete return address in the upper left corner.

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: Permanent residents	Department of Revenue and Taxation Government of Guam 378 Chalan San Antonio Tamuning, GU 96911
Guam: Nonpermanent residents	
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 Lockhart Gardens No. 1-A Charlotte Amalie, St. Thomas, VI 00802
Foreign country (or if a dual-status alien): U.S. citizens and those filing Form 2555, Form 2555-EZ, or Form 4563 All APO and FPO addresses	Philadelphia, PA 19255

Where To Report Certain Items From 1994 Forms W-2, 1098, and 1099

Report any Federal income tax withheld from these forms on Form 1040, line 54. If you itemize your deductions, report any state or local income tax withheld from these forms on Schedule A, line 5.

Form	Item and Box in Which It Should Appear	Where To Report if Filing Form 1040
W-2	Wages, salaries, tips, etc. (box 1) Allocated tips (box 8) Advance EIC payments (box 9) Dependent care benefits (box 10)	Form 1040, line 7 See Tip Income on page 15 Form 1040, line 52 Form 2441, line 11
W-2G	Gambling winnings (box 1)	Form 1040, line 21 (Schedule C or C-EZ for professional gamblers)
1098	Mortgage interest (box 1) Points (box 2) Refund of overpaid interest (box 3)	Schedule A, line 10* Schedule A, line 10* See the instructions for Form 1040, line 21, on page 18*
1099-A	Acquisition or abandonment of secured property	See Pub. 544
1099-B	Stocks, bonds, etc. (box 2) Bartering (box 3) Futures contracts (box 9)	Schedule D See Pub. 525 Form 6781
1099-C	Canceled debt (box 2)	Form 1040, line 21, but first see Pub. 525*
1099-DIV	Ordinary dividends (box 1b) Capital gain distributions (box 1c) Nontaxable distributions (box 1d) Investment expenses (box 1e) Foreign tax paid (box 3)	Form 1040, line 9 See the instructions for Form 1040, line 13, on page 16 See the instructions for Form 1040, line 9, on page 16 Form 1040, line 9, and Schedule A, line 22 Schedule A, line 8 (or Form 1116)
1099-G	Unemployment compensation (box 1) State or local income tax refund (box 2) Taxable grants (box 6) Agriculture payments (box 7)	Form 1040, line 19. But if you repaid any unemployment compensation in 1994, see the instructions for line 19 on page 18 See the instructions for Form 1040, line 10, on page 16* Form 1040, line 21* See the Schedule F instructions or Pub. 225
1099-INT	Interest income (box 1) Early withdrawal penalty (box 2) Interest on U.S. savings bonds and Treasury obligations (box 3) Foreign tax paid (box 5)	Form 1040, line 8a Form 1040, line 28 See the instructions for Form 1040, line 8a, on page 15 Schedule A, line 8 (or Form 1116)
1099-MISC	Rents (box 1) Royalties (box 2) Other income (box 3) Nonemployee compensation (box 7) Other (boxes 5, 6, 8, 9, and 10)	See the instructions for Schedule E Schedule E, line 4 (timber, coal, iron ore royalties, see Pub. 544) Form 1040, line 21* Schedule C, C-EZ, or F (Form 1040, line 7, if you were not self-employed) See the instructions on Form 1099-MISC
1099-OID	Original issue discount (box 1) } Other periodic interest (box 2) } Early withdrawal penalty (box 3)	See the instructions on Form 1099-OID Form 1040, line 28
1099-PATR	Patronage dividends and other distributions from a cooperative (boxes 1, 2, 3, and 5) Credits (boxes 6, 7, and 8)	Schedule C, Schedule C-EZ, Schedule F, or Form 4835, but first see the instructions on Form 1099-PATR Form 3468 or Form 5884
1099-R	Distributions from IRAs Distributions from pensions, annuities, etc. Capital gain (box 3)	See the instructions for Form 1040, lines 15a and 15b, on page 17 See the instructions for Form 1040, lines 16a and 16b, on page 17 See the instructions on Form 1099-R
1099-S	Gross proceeds from real estate transactions (box 2) Buyer's part of real estate tax (box 5)	Form 2119 (or Form 4797 or Schedule D if the property was not your home) See the instructions for Schedule A, line 6, on page A-2*

* If the item relates to an activity for which you are required to file Schedule C, C-EZ, E, or F, or Form 4835, report the taxable or deductible amount allocable to the activity on that schedule or form instead.

Section 3.

Line Instructions for Form 1040

Name, Address, and Social Security Number (SSN)

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 SSNs are not listed in the same order as the first names, show the SSNs in the correct order.*

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 34.

Name Change. If you changed your name because of marriage, divorce, etc., be sure to report this to your local Social Security Administration office before filing your 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 34.

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 on line 3.

Social Security Number. Enter your SSN in the area marked "Your social security number." If you are married, enter your husband's or wife's SSN in the area marked "Spouse's social security number." Be sure the SSN you enter agrees with the SSN on your social security card. Also, check that your SSN is correct on your Forms W-2 and 1099. See page 34 for more details.

An incorrect or missing SSN will delay your refund. To apply for an SSN, get **Form SS-5** from your local Social Security Administration (SSA) office or call the SSA at 1-800-772-1213. Fill it in and return it to the SSA. It usually takes about two weeks to get an SSN.

Nonresident Alien Spouse. If your spouse is a nonresident alien and you file a joint return, your spouse must get an SSN. But if your spouse cannot get an SSN because he or she had no income from U.S. sources,

enter "NRA" in the space for your spouse's SSN. If you file a separate return and your spouse has no SSN and no income, enter "NRA."

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 the United States or its possessions or territories, fill in 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. The fund reduces candidates' dependence on large contributions from individuals and groups and places candidates on an equal financial footing in the general election. If you want \$3 to go to this fund, check the "Yes" box. If you are filing a joint return, your spouse may also have \$3 go to the fund. If you check "Yes," your tax or refund will not change.

Filing Status

Check **only** the filing status listed below that applies to you. 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.

Line 1

Single

You may check the box on line 1 if **any** of the following was true on December 31, 1994:

- You were never married, or
- You were legally separated, according to your state law, under a decree of divorce or separate maintenance, or
- You were widowed before January 1, 1994, and did not remarry in 1994.

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, 1994, even if you did not live with your spouse at the end of 1994, or
- Your spouse died in 1994 and you did not remarry in 1994, or
- Your spouse died in 1995 before filing a 1994 return. For details on filing the joint return, see **Death of Taxpayer** on page 34.

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 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 1994, you may not, after the due date for filing that return, amend it to file as married filing a separate return.

Nonresident Aliens and Dual-Status Aliens. You may be able to file a joint return. Get **Pub. 519**, U.S. Tax Guide for Aliens, for details.

Line 3

Married Filing Separate Return

If you file a separate return, you will usually 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.

Generally, you report only your own income, exemptions, deductions, and credits. Different rules apply to people who live in community property states. See page 15.

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 1994. See **Married Persons Who Live Apart** on the next page.

Line 4

Head of Household

This filing status is for **unmarried** individuals who provide a home for certain other persons. (Some **married persons who live apart** may also qualify. See below.) You may check the box on line 4 **only if** you were unmarried or legally separated as of December 31, 1994. But **either** 1 or 2 below must apply to you.

1. You paid over half the cost of keeping up a home that was the main home for all of 1994 of your **parent** whom you can claim as a dependent. Your parent did not have to live with you in your home; **or**

2. 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 half of the year (if half or less, see the **Exception** later):

- Your **unmarried** child, adopted child, grandchild, great-grandchild, etc., or stepchild. This child does not have to be your dependent. But in this case, enter the child's name in the space provided on line 4. If you don't enter the name, it will take us longer to process your return.

- Your **married** child, adopted child, grandchild, great-grandchild, etc., 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 for **Children of Divorced or Separated Parents** on page 14, this child does not have to be your dependent. But in this case, enter the child's name on line 4. If you don't enter the name, it will take us longer to process your return.

- Your **foster** child, who must be your dependent.

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

Note: You **cannot** file as head of household if your child, parent, or relative described above is your dependent under the rules on page 14 for **Person Supported by Two or More Taxpayers**.

Married Persons Who Live Apart. Even if you were not divorced or legally separated in 1994, you may be able to file as head of household. You may check the box on line 4 if **all five** of the following apply.

1. You **must** have lived apart from your spouse for the **last 6 months** of 1994.

2. You file a separate return from your spouse.

3. You paid over half the cost of keeping up your home for 1994.

4. Your home was the main home of your child, adopted child, stepchild, or foster child for more than half of 1994 (if half or less, see the **Exception** later).

5. You claim this child as your dependent or the child's other parent claims him or her under the rules for **Children of Divorced or Separated Parents** on page 14. If this child is not your dependent, be sure to enter the child's name on line 4. If you don't enter the name, it will take us longer to process your return.

Note: If all five of the above apply, you may also be able to take the credit for child and dependent care expenses and the earned income credit. In addition, you can take the standard deduction even if your spouse itemizes deductions. For more details, see the instructions for these topics.

Keeping Up a Home. To find out what is included in the cost of keeping up a home, get **Pub. 501**, Exemptions, Standard Deduction, and Filing Information.

If you used payments you received under the **Aid to Families With Dependent Children (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.

Dependents. To find out if someone is your dependent, see the instructions for line 6c.

Exception. You can count temporary absences such as for school, vacation, or medical care as time lived in the home.

If the person for whom you kept up a home was born or died in 1994, 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.

Line 5

Qualifying Widow(er) With Dependent Child

You may check the box on line 5 and use joint return tax rates for 1994 if **all five** of the following apply.

1. Your spouse died in 1992 or 1993 and you did not remarry in 1994.

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 1994. 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 1994, you may not file as qualifying widow(er) with dependent child. Instead, see the instructions for line 2.

Exemptions

For each exemption you can take, you generally can deduct \$2,450 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 1994, 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 1994 and you did not remarry by the end of 1994, 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 34.

Nonresident Alien Spouse. If your filing status is married filing separately, 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 1994. This includes a baby **born** in 1994 or a person who **died** in 1994. 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 the person and the person's spouse file a joint return only to get a refund of all tax withheld, you may be able to claim him or her if the other four tests are met. See Pub. 501 for details.

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 \$2,450. 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 \$2,450 or more if:

1. Your child was **under age 19** at the end of 1994, **or**
2. Your child was **under age 24** at the end of 1994 **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 1994, or
- Took a full-time, on-farm training course during any 5 months of 1994. 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 1994. 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 lived apart from each other 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 of time or who did not have custody at all. See Pub. 501 for the definition of custody.

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 1994 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 this page), **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 1994. 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 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 1994.

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, 1994, put a checkmark in column (2).

Column (3). Any dependent age 1 or older must have a social security number (SSN). You must enter that SSN in column (3). If you do not enter it or if the SSN is wrong, it will take us longer to issue any refund shown on your return. You may also have to pay a \$50 penalty.

Your dependent can get an SSN by filing **Form SS-5** with your local Social Security Administration (SSA) office. It usually takes about 2 weeks to get an SSN. If your dependent won't have an SSN by April 17, 1995, see **When Should I File?** on page 9. If your dependent lives in Canada or Mexico, see Pub. 501 for details on how to get an SSN.

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 1994. 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 1994, enter "12" in this column. If your dependent lived in Canada or Mexico during 1994, 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 this page 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 **each** year you claim this child as a dependent.

- **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 SSN on this page),
2. The page that unconditionally states you can claim the child as your dependent, and
3. Signature page with the other parent's signature and the date of the agreement.

Note: You must attach the required information even if you filed it in an earlier year.

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 "Dependents on 6c not

entered above." Include dependent children who lived in Canada or Mexico during 1994.

Income

U.S. Citizens Living Abroad

You must report unearned income, such as interest, dividends, and pensions, from sources outside the United States unless exempt by law or a tax treaty. You must also report earned income, such as wages and tips, from sources outside the United States. But you may also be able to exclude part or all of your earned income. For details, get **Pub. 54**, Tax Guide for U.S. Citizens and Resident Aliens Abroad, and **Form 2555**, Foreign Earned Income, or **Form 2555-EZ**, Foreign Earned Income Exclusion.

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.

Enter the total of your wages, salaries, tips, etc. This should be shown in box 1 of your W-2 form. For a joint return, be sure to include your spouse's income. Also include in this total:

- 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 16a and 16b of Form 1040. Payments from an IRA are reported on lines 15a and 15b.

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

If you don't get a Form W-2 by January 31, 1995, 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 15, call the number listed on page 37 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, SSN, daytime telephone number, dates of employment, and your best estimate of your total wages and Federal income tax withheld.

If you used an **employer-provided vehicle** for both personal and business use and 100% of its annual lease value was included as wages on 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 12 or 14 of your W-2 form or on a separate statement. For more details, get **Pub. 917**, Business Use of a Car.

Tip Income. Be sure to report all tip income you actually received, even if it is not included in box 1 of your W-2 form(s). You must report as income the amount of allocated tips shown on your W-2 form(s) unless you can prove with adequate records that you received a smaller amount. Allocated tips should be shown in box 8 of your W-2 form(s). They are not included in box 1 of your W-2 form(s). For details on allocated tips, get **Pub. 531**, Reporting Tip Income.

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.

Statutory Employees. If you were a statutory employee, the "Statutory employee" box in box 15 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 1 of your W-2 form and your expenses on Schedule C or C-EZ. If you are not deducting business expenses, report your income on line 7.

Excess Salary Deferrals. You may have chosen 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. If so, the "Deferred compensation" box in box 15 of your W-2 form should be checked. The amount deferred should be shown in box 13. The total amount that may be deferred for 1994 under all plans is generally limited to \$9,240 for each person. 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 (In-

cluding 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 as income in box 1 of your W-2 form.

Dependent Care Benefits (DCB). If you received benefits for 1994 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 10 of your W-2 form(s). First, fill in Parts I and III of Form 2441. Include any taxable benefits from line 20 of that form on Form 1040, line 7. On the dotted line next to line 7, enter "DCB."

Scholarship and Fellowship Grants. If you received a scholarship or fellowship, 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

Each payer should send you a **Form 1099-INT** or a **Form 1099-OID**. A copy is also sent to the IRS.

Report all of your taxable interest income on line 8a, even if it is \$400 or less. If the total is over \$400 or any of the other conditions listed at the beginning of the Schedule B instructions (see page B-1) apply to you, fill in Schedule B first.

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 1994 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 1994 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 31% of the interest (backup withholding). You may also be subject to penalties.

Examples of Taxable Interest Income You Must Report

Report interest from:

- 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.
- Bonds and debentures, including arbitrage bonds issued by state and local governments after October 9, 1969. Also, report as interest on line 8a any gain on the disposition of certain market discount bonds to the extent of the accrued market discount.

See Pub. 550 for details. For taxable bonds acquired after 1987, reduce your interest income on the bonds by the amount of any amortizable bond premium (see page B-1). **Do not** deduct the premium as interest expense on Schedule A.

• 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 that 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 get a 1994 Form 1099-INT for U.S. savings bond interest that includes amounts you reported before 1994, see Pub. 550.

Line 8b

Tax-Exempt Interest

If you received any tax-exempt interest income, 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** include interest earned on your IRA.

Line 9

Dividend Income

The payer should send you a **Form 1099-DIV**. A copy is also sent to the IRS.

If your total gross dividends are over \$400, first fill in Schedule B (see page B-1). 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. If you received capital gain distributions, see the instructions for line 13.

Caution: Be sure each payer of dividends has your correct social security number. Otherwise, the payer may withhold 31% of the dividend income (backup withholding). You may also be subject to penalties.

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.

Dividends on Insurance Policies. These are a partial return of the premiums you paid. **Do not** report them as dividends. Include them in income only if they exceed the total of all net premiums you paid for the contract.

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 1994 that you paid and deducted before 1994, part or all of this amount may be taxable. You may receive **Form 1099-G**, or similar statement, showing the refund.

If you chose to apply part or all of the refund to your 1994 estimated state or local income tax, the amount applied is considered income you received in 1994.

If, in the year you paid the tax, you **(a)** did not itemize deductions on Schedule A (Form 1040), or **(b)** filed Form 1040A or Form 1040EZ, **none** of your refund is taxable.

If the refund was for a tax you paid in 1993 and you itemized deductions on Schedule A (Form 1040) for 1993, use the worksheet below to see if any of your refund is taxable.

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

- You received a refund in 1994 that is for a tax year other than 1993.
- You received a refund other than an income tax refund, such as a real property tax refund, in 1994 of an amount deducted or credit claimed in an earlier year.
- Your 1993 taxable income was less than zero.
- You made your last payment of 1993 estimated state or local income tax in 1994.
- You owed alternative minimum tax in 1993.
- You could not deduct the full amount of credits you were entitled to in 1993 because the total credits exceeded the tax shown on your 1993 Form 1040, line 40.
- You could be claimed as a dependent by someone else in 1993.

Also, see **Tax Benefit Rule** in Pub. 525 instead of using the worksheet below if **all three** of the following apply:

1. You had to use the Itemized Deductions Worksheet in the 1993 Schedule A instructions because your 1993 adjusted gross income was over \$108,450 (over \$54,225 if married filing separately).

2. You couldn't deduct the amount on line 1 of the 1993 worksheet.

3. The amount on line 8 of the 1993 worksheet would be more than the amount on line 4 of that worksheet if the amount on line 4 were reduced by 80% of the refund you received in 1994.

Line 11

Alimony Received

Enter amounts 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 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 22 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.

Line 13

Capital Gain or (Loss)

Enter the gain or (loss) from Schedule D. But if you received **capital gain distributions** (reported to you on **Form 1099-DIV** or a substitute statement) and do not need Schedule

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

1. Enter the income tax refund from Form(s) 1099-G (or similar statement)	1. _____
2. Enter your total allowable itemized deductions from your 1993 Schedule A, line 26	2. _____
Note: If the filing status on your 1993 Form 1040 was married filing separately and your spouse itemized deductions in 1993, skip lines 3, 4, and 5 and enter the amount from line 2 on line 6.	
3. Enter on line 3 the amount shown below for the filing status claimed on your 1993 Form 1040:	3. _____
• Single, enter \$3,700	}
• Married filing jointly or Qualifying widow(er), enter \$6,200	
• Married filing separately, enter \$3,100	
• Head of household, enter \$5,450	
4. If you didn't complete line 33a on your 1993 Form 1040, enter -0-. Otherwise, multiply the number on your 1993 Form 1040, line 33a, by \$700 (\$900 if your 1993 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. _____

D for other capital transactions, enter those distributions on line 13. Write "CGD" on the dotted line next to line 13.

Note: Use the *Capital Gain Tax Worksheet* on page 25 to figure your tax if your taxable income (Form 1040, line 37) is **more than** \$91,850 (\$55,100 if single; \$78,700 if head of household; or \$45,925 if married filing separately).

Line 14

Other Gains or (Losses)

If you sold or exchanged assets used in a trade or business, see the instructions for **Form 4797**.

Lines 15a and 15b

IRA Distributions

Use lines 15a and 15b 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 get a **Form 1099-R** showing the amount of your distribution.

If you made any nondeductible contributions to your IRA for 1994 or an earlier year or you rolled your IRA distribution over into another IRA, see below. **Do not** use lines 15a and 15b to report a rollover from a qualified employer's plan to an IRA. Instead, see the instructions for lines 16a and 16b.

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 15b; **do not** make an entry on line 15a. If only part is taxable, enter the total distribution on line 15a and the taxable part on line 15b.

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. See the instructions for line 51 for details.

Nondeductible Contributions. If you made nondeductible contributions for any year, only part of your IRA distribution may be taxable. Get **Form 8606** to figure the taxable part of your IRA distribution. If you made any nondeductible contributions for 1994, you may need to make a special computation. Get **Pub. 590**, Individual Retirement Arrangements (IRAs), for details. Enter the total distribution on line 15a and the taxable part on line 15b.

IRA Rollovers. A rollover is a tax-free distribution of cash or other assets from one retirement plan that is contributed to another plan. Use lines 15a and 15b to report a rollover from one IRA to another IRA. Enter the total distribution on line 15a. If the total on line 15a was rolled over, enter zero on line 15b. If the total was not rolled over, enter the part not rolled over on line 15b. But if you ever made nondeductible contributions to any of your IRAs, use Form 8606 to figure the taxable part to enter on line 15b. For more details, see Pub. 590.

Lines 16a and 16b

Pensions and Annuities

Use lines 16a and 16b to report pension and annuity payments you received, including payments (distributions) from retirement plans, life insurance annuity contracts, profit-sharing plans, and employee-savings plans. See this page for details on rollovers. See page 18 for details on lump-sum distributions.

Also use these lines to report disability pensions received after you reach the minimum retirement age set by your employer. Disability pensions received before you reach your employer's minimum retirement age are reported on line 7.

You should receive a **Form 1099-R** showing the amount you received. Attach Form 1099-R to Form 1040 if any Federal income tax was withheld.

Do not use lines 16a and 16b 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 16a and 16b to report any social security or railroad retirement benefits shown on **Forms SSA-1099** and **RRB-1099**. Instead, see the instructions for lines 20a and 20b.

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 16b; **do not** make an entry on line 16a. Your 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 1994.

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**, get Pub. 575 to see 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 instead. See **Simplified General Rule** on this page.

You can ask the IRS to figure the taxable part for you for a \$50 fee. Submit your request before the due date of your return, including extensions. For details, see Pub. 939.

If your Form 1099-R shows a taxable amount, you may report that amount on line

16b. But you may be able to report a lower taxable amount by using the General Rule or, if you qualify, the Simplified General Rule.

Once you have figured the taxable part of your pension or annuity, enter that amount on line 16b and the total on line 16a.

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

Simplified General Rule. This method will usually give you the same amount or more tax free each year as the General Rule or as figured by the IRS. You can use this simpler method if **all four** of the following apply.

1. Your annuity starting date was **after** July 1, 1986.
2. The payments are for **(a)** your life or **(b)** your life and that of your beneficiary.
3. The 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 the number of years of guaranteed payments was fewer than 5.

If all four of the above apply, use the worksheet on page 18 to figure the taxable part of your pension or annuity. 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. Do this 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, Tax Guide to U.S. Civil Service Retirement Benefits**.

Caution: If you received U.S. Civil Service retirement benefits and you chose the lump-sum credit option, use the worksheet in **Pub. 721. Do not** use the one on page 18.

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, see 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 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 distribution of cash or other assets from one retirement plan that is contributed to another plan. Use lines 16a and 16b to report a rollover, includ-

ing a direct rollover, from one qualified employer's plan to another or to an IRA.

Enter on line 16a the total distribution before income tax or other deductions were withheld. This amount should be shown in box 1 of **Form 1099-R**. If the total on line 16a (minus any contributions that were taxable to you when made) was rolled over, either directly or within 60 days of receiving the distribution, enter zero on line 16b. Otherwise, subtract the amount that was rolled over and any contributions that were taxable to you when made from the total on line 16a. Enter the result on line 16b. 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, see the instructions for line 51.

Enter the total distribution on line 16a and the taxable part on line 16b. 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.

Simplified General Rule Worksheet—Lines 16a and 16b (keep for your records)

1. Enter the total pension or annuity payments received this year. Also, enter this amount on Form 1040, line 16a	1. _____
2. Enter your cost in the plan at the annuity starting date plus any death benefit exclusion (see page 17)	2. _____
3. Age at annuity starting date (see page 17):	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, skip lines 6 and 7 and enter this amount on line 8. 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 16b. 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 16b. Enter the total pension or annuity payments received in 1994 on Form 1040, line 16a.

Line 19

Unemployment Compensation

Enter on line 19 any unemployment compensation (insurance) you received. By January 31, 1995, you should receive a **Form 1099-G** showing the total amount paid to you during 1994. The amount should be in box 1.

If you received an overpayment of unemployment compensation in 1994 and you repaid any of it in 1994, subtract the amount you repaid from the total amount you received. Enter the result on line 19. Also, enter "Repaid" and the amount you repaid on the dotted line next to line 19. If, in 1994, you repaid unemployment compensation that you included in gross income in an earlier year, you may deduct the amount repaid on Schedule A, line 22. But if the amount repaid was more than \$3,000, see **Repayments in Pub. 525**, Taxable and Nontaxable Income, for details on how to report the repayment.

Do not include on line 19 any supplemental unemployment benefits received from a company-financed supplemental unemployment benefit fund. Instead, report these benefits on line 7.

Lines 20a and 20b

Social Security Benefits

Social security and equivalent railroad retirement benefits you received may be taxable. 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 include monthly survivor and disability benefits paid to you. They do not include any supplemental security income (SSI) payments.

By January 31, 1995, you should receive a **Form SSA-1099** showing in box 3 the total social security benefits paid to you in 1994. Box 4 will show the amount of any benefits you repaid in 1994. 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 20a and 20b to report any railroad retirement benefits shown on Form RRB-1099-R. Instead, see the instructions for lines 16a and 16b.

To find out if any of your benefits are taxable, first complete Form 1040, lines 7 through 19, 21, and 23a through 30 if they apply to you. Then, complete the worksheet on page 19. However, **do not** use the worksheet if any of the following applies to you:

- You made IRA contributions for 1994 and you were covered by a retirement plan at work or through self-employment. 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.
- You repaid any benefits in 1994 and your total repayments (box 4) were more than your total benefits for 1994 (box 3). **None** of your benefits are taxable for 1994. In addition, 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.
- 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. Instead, use the worksheet in Pub. 915.

Line 21

Other Income

Use this line 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 nontaxable income on line 21, including the following:

- Child support.
- Money or property that was inherited, willed to you, or received as a gift.
- Life insurance proceeds received because of a person's death.

Do not report any income from **self-employment** on this line. Instead, you **must** use Schedule C, C-EZ, or F, even if you do not have any business expenses.

Examples of **income to report** on line 21 are:

- Prizes and awards.

Social Security Benefits Worksheet—Lines 20a and 20b (keep for your records)

If you are married filing separately and you **lived apart** from your spouse for all of 1994, enter "D" to the left of line 20a.

1. Enter the total amount from **box 5** of **all** your **Forms SSA-1099** and **RRB-1099** **1.** _____
Note: If line 1 is zero or less, stop; none of your social security benefits are taxable. Otherwise, go to line 2.
 2. Enter one-half of line 1 **2.** _____
 3. Add the amounts on Form 1040, lines 7, 8a, 9 through 14, 15b, 16b, 17 through 19, and 21. Do not include amounts from box 5 of Forms SSA-1099 or RRB-1099 **3.** _____
 4. Enter the amount, if any, from Form 1040, line 8b **4.** _____
 5. Add lines 2, 3, and 4 **5.** _____
 6. Enter the amount from Form 1040, line 30 **6.** _____
 7. Subtract line 6 from line 5 **7.** _____
 8. Enter \$25,000 (\$32,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1994) **8.** _____
 9. Subtract line 8 from line 7. If zero or less, enter -0- **9.** _____
- Is line 9 more than zero?**
- No.** Stop; none of your social security benefits are taxable. Do not enter any amounts on lines 20a or 20b. **But** if you are married filing separately and you **lived apart** from your spouse for all of 1994, enter -0- on line 20b. Be sure to enter "D" to the left of line 20a.
- Yes.** Go to line 10.
10. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1994) **10.** _____
 11. Subtract line 10 from line 9. If zero or less, enter -0- **11.** _____
 12. Enter the **smaller** of line 9 or line 10 **12.** _____
 13. Enter one-half of line 12 **13.** _____
 14. Enter the **smaller** of line 2 or line 13 **14.** _____
 15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- **15.** _____
 16. Add lines 14 and 15 **16.** _____
 17. Multiply line 1 by 85% (.85) **17.** _____
 18. **Taxable social security benefits.** Enter the **smaller** of line 16 or line 17 **18.** _____
 - Enter the amount from line 1 on Form 1040, line 20a.
 - Enter the amount from line 18 on Form 1040, line 20b.

Note: If part of your benefits are taxable for 1994 and they include benefits paid in 1994 that were for an earlier year, you may be able to reduce the taxable amount shown on the worksheet. Get Pub. 915 for details.

- Gambling winnings. Proceeds from lotteries, raffles, etc., are gambling winnings. You must report the full amount of your winnings on line 21. 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.
- Fees received for jury duty or 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 notary public.
- Fees received as a nonprofessional fiduciary, such as an executor or administrator of the estate of a deceased friend or relative.
- Alaska Permanent Fund dividends.
- Refund of overpaid mortgage interest if you deducted the interest in an earlier year

and it reduced your tax. To figure the amount to report, see Pub. 525.

- Income from the rental of personal property if you were not in the business of renting such property. (See the instructions for line 30 to report your expenses.)

Recapture of Clean-Fuel Vehicle Deduction. If you claimed this deduction in 1993 for property that no longer qualifies as clean-fuel vehicle property, you may have to include the amount deducted on line 21. For details, get **Pub. 535**, Business Expenses.

Net Operating Loss. If you had a net operating loss in an earlier year to carry forward to 1994, include it as a negative amount on line 21. Attach a statement showing how you figured the amount. Get **Pub. 536**, Net Operating Losses, for more details.

Adjustments to Income

Lines 23a and 23b

IRA Deduction

If you made contributions to an individual retirement arrangement (IRA) for 1994, 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 23a. If you file a joint return, enter your spouse's deduction on line 23b. You should receive a statement by May 31, 1995, that shows all contributions to your IRA for 1994.

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 1 of your W-2 form.

If you were age 70½ or older at the end of 1994, you cannot deduct any contributions made to your IRA for 1994 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, 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 15 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 unless you **lived apart** from your spouse for all of 1994. See the chart on page 20. 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 page 20 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 page 20. It will tell you if you can take the deduction and, if you can, which worksheet to use.

Nondeductible Contributions. Your nondeductible contribution is the difference between the total allowable contributions to your IRA and the amount you deduct. You can make nondeductible contributions to your IRA whether you are allowed to deduct all, part, or none of your contributions.

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. If you don't, you may have to pay a \$50 penalty. 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 IRA worksheet.

- You will first need to complete Form 1040 through line 22, lines 24 through 29, and figure any amount to be entered on the dotted line next to line 30.
- If you made contributions to your IRA in 1994 that you deducted for 1993, **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 11 of your W-2 form.
- For purposes of the IRA deduction, alimony payments received under certain divorce or separation instruments are considered earned income. For more details, see Pub. 590.
- 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 1994, 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 1994, 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 15a and 15b on page 17 for more details on rollover contributions.
- 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.

Chart for People Covered by a Retirement Plan*—Lines 23a and 23b

In this chart, **modified AGI** (adjusted gross income) is the amount on Form 1040, line 22, minus the total of any deductions claimed on Form 1040, lines 24 through 29 and any amount you entered on the dotted line next to 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 lived apart from your spouse for all of 1994	\$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 21)
	\$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 21)
	\$50,000 or more	No IRA deduction (but see Nondeductible Contributions)
Married filing separately and lived with your spouse at any time during 1994	Over -0- but less than \$10,000	Partial IRA deduction (use Worksheet 2 on page 21)
	\$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 unless you **lived apart** from your spouse for all of 1994.

IRA Worksheet 1—Lines 23a and 23b (keep for your records)

	(a) Your IRA	(b) Your working spouse's IRA
1. Enter IRA contributions you made, or will make by April 17, 1995, for 1994. 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 23a, the amount from line 3, column (a), you choose to deduct. Enter on Form 1040, line 23b, 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 17, 1995, for 1994 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 23b, the amount from line 8 you choose to deduct	8. _____	_____

IRA Worksheet 2—Lines 23a and 23b (keep for your records)

<p>1. If you checked Filing Status box: 1 or 4, enter \$35,000 2 or 5, enter \$50,000 3, enter \$10,000 (\$35,000 if you lived apart from your spouse for all of 1994)</p> <p>2. Enter the amount from Form 1040, line 22</p> <p>3. Add amounts on Form 1040, lines 24 through 29, and any amount you entered on the dotted line next to 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 17, 1995, for 1994. 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 23a, the amount from line 9, column (a), you choose to deduct. Enter on Form 1040, line 23b, 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 1 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 17, 1995, for 1994 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 23b, 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 1 of your spouse's Form 8606 the amount from line 20 that you choose to make nondeductible</p>	<p>20. _____</p>	<p>_____</p>

Line 24

Moving Expenses

Employees and self-employed persons (including partners) can deduct certain moving expenses. Expenses incurred in 1994 are deducted on this line. Expenses incurred before 1994 that were not previously deducted are only allowed as an itemized deduction on Schedule A.

You can take this deduction if you moved in connection with your job or business and your new workplace is at least 50 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 50 miles from your old home. If you meet these requirements, call Tele-Tax (see page 38) and listen to topic 455 or get **Pub. 521**, Moving Expenses. Use Part I of **Form 3903**, Moving Expenses, to figure the amount to enter on this line. If you began work at a new workplace outside the United States or its possessions, get **Form 3903-F**, Foreign Moving Expenses.

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, the amount shown on line 6 of Short Schedule SE or line 13 of Long Schedule SE, whichever applies.

Line 26

Self-Employed Health Insurance Deduction

Caution: This deduction expired December 31, 1993. However, at the time these instructions went to print, Congress was considering legislation that would allow a deduction for 1994. Get **Pub. 553**, Highlights of 1994 Tax Changes, for later information about this deduction. You **cannot** take a deduction on this line unless it has been allowed by Congress before you file your return.

If you were self-employed and had a net profit for the year, or if you received wages in 1994 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 if you were also eligible to participate in any subsidized health plan maintained by your or your spouse's employer for any month or part of a month in 1994, amounts paid for health insurance coverage for that month cannot be used to figure the deduction. For example, if you were eligible to participate in a subsidized health plan maintained by your spouse's employer from September 30 through December 31, you cannot use amounts paid for health insurance coverage for September through December to figure your deduction. For more details, get **Pub. 535**, Business Expenses.

If you qualify to take the deduction, use the worksheet on this page to figure the amount you can deduct. But if either of the following applies, **do not** use the worksheet. 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.
- You file **Form 2555**, Foreign Earned Income, or **Form 2555-EZ**, Foreign Earned Income Exclusion.

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.

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 **Form 1099-OID** you received will show the amount of any penalty you were charged. Enter this amount on line 28.

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

See the **Caution** on page 21 before completing this worksheet.

- | | |
|--|----------|
| 1. Enter the total amount paid in 1994 for health insurance coverage for 1994 for you, your spouse, and dependents. But do not include amounts for any month you were eligible to participate in an employer-sponsored health plan | 1. _____ |
| 2. Multiply line 1 by 25% (.25) | 2. _____ |
| 3. 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 | 3. _____ |
| 4. Self-employed health insurance deduction. Enter the smaller of line 2 or line 3 here and on Form 1040, line 26. DO NOT include this amount in figuring any medical expense deduction on Schedule A (Form 1040) | 4. _____ |

* **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 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, call Tele-Tax (see page 38) and listen to topic 452 or get **Pub. 504**, Divorced or Separated Individuals.

Caution: You must enter the recipient's SSN 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 SSN of one of the recipients. Show the SSN(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 details, see Pub. 504.

Line 30

Total Adjustments

Include in the total on line 30 any of the following adjustments.

Qualified Performing Artists. Include in the total on line 30 your performing-arts-related expenses from line 10 of **Form 2106**, Employee Business Expenses, or line 6 of **Form 2106-EZ**, Unreimbursed Employee Business Expenses. Enter the amount and "OPA" on the dotted line next to line 30.

Jury Duty Pay Given to Employer. If you reported jury duty pay on line 21 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 1994. 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. The amount you contributed should be identified with code **H** in box 13 of your W-2 form. You may deduct this amount subject to the limits explained under **Excess Salary Deferrals** on page 15. Include your deduction in the total on line 30. Enter the amount and "501(c)(18)" on the dotted line next to line 30.

Deduction for Clean-Fuel Vehicles. If you placed a vehicle in service in 1994 that uses a clean-burning fuel, you may be able to take this deduction. For details, including how to figure the deduction, get **Pub. 535**, Business Expenses. Include your deduction in the total on line 30. But if part of your deduction is claimed on Schedule C, C-EZ, E, or F, subtract that part from your total deduction and include only the balance on line 30. Enter the amount and "Clean-Fuel" on the dotted line next to line 30.

Expenses From the Rental of Personal Property. If you reported income from the rental of personal property on line 21, include the total of your deductible expenses related to that income in the total on line 30. Enter the amount and "PPR" 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. 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 on line 33a. 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, 1995, check the "65 or older" box on your 1994 return.

Blindness. If you were completely blind as of December 31, 1994, 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 1994 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 for most people. Even if you itemized last year, be sure to see if the standard deduction will benefit you for 1994.

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 29.

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	\$4,750
	2	5,700
Married filing jointly or Qualifying widow(er)	1	\$7,100
	2	7,850
	3	8,600
	4	9,350
Married filing separately	1	\$3,925
	2	4,675
	3	5,425
	4	6,175
Head of household	1	\$6,550
	2	7,500

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 \$3,800
 - Married filing separately, enter \$3,175
 - Married filing jointly or Qualifying widow(er), enter \$6,350
 - Head of household, enter \$5,6004. _____
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 \$950 (\$750 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 18, 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 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 amount shown on line 3, multiply \$2,450 by the total number of exemptions claimed on Form 1040, line 6e, and enter the result on line 36.

1. Multiply \$2,450 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 \$83,850	} 3. _____
• Single, enter \$111,800	
• Head of household, enter \$139,750	
• Married filing jointly or Qualifying widow(er), enter \$167,700	
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 (for example, round 0.0004 to 1)	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:

- All of your income for 1994 was from wages, salaries, tips, interest, dividends, taxable social security benefits, unemployment compensation, IRA distributions, pensions, or annuities.
- You do not itemize deductions.
- You do not file any of the following forms:
 - 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 less 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.
- 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 own and your spouse's taxable income.
- 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.
- Fill in and attach any forms or schedules asked for on the lines you completed.
- Sign and date your return (both spouses must sign a joint return) and enter your occupation(s).
- Mail your return by April 17, 1995.

We will figure the following credits too:

Credit for the Elderly or the Disabled. If you can take this credit, you **must** 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 Part II and lines 11 and 13 of Part III if applicable.

Earned Income Credit (EIC). If you can take this credit, write "EIC" next to line 56. Enter the amount and type of any nontaxable income (see page 29) in the spaces provided

on line 56. If you have a qualifying child, fill in Schedule EIC and attach it to your return.

Line 38

Tax

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 the **Capital Gain Tax Worksheet** (see below). Be sure you use the correct column in the Tax Table.

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 the **Capital Gain Tax Worksheet**.

Capital Gain Tax Worksheet. If you had a net capital gain on Schedule D or you reported capital gain distributions on Form 1040, line 13, your tax may be less if you figure it using the worksheet on page 25.

Form 8615. Form 8615 must generally be used to figure the tax for any child who was under age 14 on January 1, 1995, 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, 1994, do not use Form 8615 to figure the child's tax.

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 **under age 13** or your dependent or spouse who could not care for himself or herself. But to do so, the care must have been provided so that you (and your spouse if you were married) could work or look for work and you must have had income from a job or through self-employment.

Use **Form 2441** to figure the credit. If you received any dependent care benefits for 1994, you must file Form 2441 to figure the amount of the benefits you may exclude from your income even if you cannot take the credit. 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 the care was provided 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 details, get **Pub. 926**, Employment Taxes for Household Employers.

Capital Gain Tax Worksheet—Line 38 (keep for your records)

Use this worksheet to figure your tax **only** if (a) you are filing Schedule D and both lines 17 and 18 of Schedule D are gains, or (b) you reported capital gain distributions on Form 1040, line 13, and:

Your filing status is:	AND	Form 1040, line 37, is over:	Your filing status is:	AND	Form 1040, line 37, is over:
Single		\$55,100	Head of household		\$78,700
Married filing jointly or Qualifying widow(er)		\$91,850	Married filing separately		\$45,925

1. Enter the amount from Form 1040, line 37 1. _____
2. If you are filing Schedule D, enter the **smaller** of Schedule D, line 17 or line 18. Otherwise, enter the capital gain distributions reported on Form 1040, line 13 2. _____
3. If you are filing Form 4952, enter the amount from Form 4952, line 4e 3. _____
4. Subtract line 3 from line 2. If zero or less, **stop here**; you **cannot** use this worksheet to figure your tax. Instead, use the Tax Table or Tax Rate Schedules, whichever applies 4. _____
5. Subtract line 4 from line 1 5. _____
6. Enter \$38,000 (\$22,750 if single; \$19,000 if married filing separately; \$30,500 if head of household) 6. _____
7. Enter the **greater** of line 5 or line 6 7. _____
8. Subtract line 7 from line 1 8. _____
9. Figure the tax on the amount on line 7. Use the Tax Table or Tax Rate Schedules, whichever applies 9. _____
10. Multiply line 8 by 28% (.28) 10. _____
11. Add lines 9 and 10 11. _____
12. Figure the tax on the amount on line 1. Use the Tax Table or Tax Rate Schedules, whichever applies 12. _____
13. **Tax.** Enter the **smaller** of line 11 or line 12 here and on Form 1040, line 38. Check the box for Capital Gain Tax Worksheet 13. _____

Line 42

Credit for the Elderly or the Disabled

You may be able to take this credit if by the end of 1994:

- 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 1994.

Income Limits. 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 lived apart from 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 24.

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

General Business Credit. If you have two or more of the following credits, a carryforward of any of these credits, or if any of the credits (other than the low-income housing credit) are from a passive activity, you must also complete **Form 3800**. Include on line 44 the amount from Form 3800 and check box **a**. If you don't have to file Form 3800 and you have one of these credits, include on line 44 the amount of the credit. Check box **d** and enter the form number for that credit.

- Investment credit (Form 3468).
- Jobs credit (Form 5884).
- Credit for alcohol used as a fuel (Form 6478).
- Credit for increasing research activities (Form 6765).
- Low-income housing credit (Form 8586, Form 8609, and Schedule A (Form 8609)).
- Disabled access credit (Form 8826).

- Enhanced oil recovery credit (Form 8830).
- Renewable electricity production credit (Form 8835).
- Indian employment credit (Form 8845).
- Credit for employer social security and Medicare taxes paid on certain employee tips (Form 8846).
- Credit for contributions to selected community development corporations (Form 8847).

Empowerment Zone Employment Credit (Form 8844). Although this credit is part of the general business credit, it is not reported on Form 3800. If you can take this credit, check box **d** on line 44 and enter the form number.

Mortgage Interest Credit (Form 8396). If you were issued a mortgage credit certificate by a state or local government, get Form 8396 to see if you can take this credit. If you can, check box **b** on line 44.

Credit for Prior Year Minimum Tax (Form 8801). If you paid alternative minimum tax in an earlier year, get Form 8801 to see if you can take this credit. If you can, check box **c** on line 44.

Qualified Electric Vehicle Credit (Form 8834). If you placed a new electric vehicle in service in 1994, get Form 8834 to see if you can take this credit. If you can, check box **d** on line 44 and enter the form number.

Line 45

If you sold fuel produced from a nonconventional source, see Internal Revenue Code section 29 to find out if you can take the **nonconventional source fuel credit**. If you can, attach a schedule showing how you figured the credit. Include the credit in the total on line 45. Enter the amount and "FNS" on the dotted line next to line 45.

Other Taxes

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 26 to see if you should complete Form 6251.

Exception. If you claimed or received any of the following items, **don't** use the worksheet on the next page. Instead, fill in Form 6251.

1. Accelerated depreciation in excess of straight line.
2. Income from incentive stock options in excess of the amount reported on your return.
3. Tax-exempt interest from private activity bonds.
4. Intangible drilling costs.
5. Depletion.
6. Circulation expenditures.
7. Research and experimental expenditures.
8. Mining exploration/development costs.

- 9. Amortization of pollution-control facilities.
- 10. Income or (loss) from tax shelter farm activities.
- 11. Income or (loss) from passive activities.
- 12. Income from long-term contracts using the percentage-of-completion method.
- 13. Income from installment sales of certain property.
- 14. Interest paid on a home mortgage **not** used to buy, build, or substantially improve your home.
- 15. Investment interest expense reported on Form 4952.
- 16. Foreign tax credit.
- 17. Net operating loss deduction.

Caution: Form 6251 should be filled in for a child under age 14 if the total of the child's adjusted gross income from Form 1040, line 32, is more than the sum of \$1,000 plus the child's earned income.

Line 49

Recapture 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, get **Form 4255** to see if you owe this tax. If you do, 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, get **Form 8611** to see if you owe this tax. If you do, check box **b** and include the tax on line 49.

Recapture of Federal Mortgage Subsidy. If you sold your home in 1994 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, get **Form 8828** to see if you owe this tax. If you do, check box **c** and include the tax on line 49.

Worksheet To See If You Should Fill In Form 6251—Line 48 (keep for your records)

1. Enter the amount from Form 1040, line 35	1. _____
2. If you itemized deductions on Schedule A, go to line 3. Otherwise, enter your standard deduction from Form 1040, line 34, and go to line 5.	2. _____
3. Enter the smaller of the amount on Schedule A, line 4, or 2.5% of the amount on Form 1040, line 32	3. _____
4. Add lines 9 and 26 of Schedule A and enter the total	4. _____
5. Add lines 1 through 4 above	5. _____
6. Enter \$45,000 (\$22,500 if married filing separately; \$33,750 if single or head of household)	6. _____
7. Subtract line 6 from line 5. If zero or less, stop here ; you don't need to fill in Form 6251	7. _____
8. Enter \$150,000 (\$75,000 if married filing separately; \$112,500 if single or head of household)	8. _____
9. Subtract line 8 from line 5. If zero or less, enter -0- here and on line 10 and go to line 11	9. _____
10. Multiply line 9 by 25% (.25) and enter the result but do not enter more than line 6 above	10. _____
11. Add lines 7 and 10. If the total is over \$175,000 (over \$87,500 if married filing separately), stop here and fill in Form 6251 to see if you owe the alternative minimum tax	11. _____
12. Multiply line 11 by 26% (.26)	12. _____

Next: If line 12 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 12 is equal to or less than the amount on Form 1040, line 38, **do not** fill in Form 6251.

Recapture of Qualified Electric Vehicle Credit. If you claimed this credit in 1993 based on a vehicle that no longer qualifies, get **Pub. 535**, Business Expenses, to see if you owe this tax. If you do, include the tax on line 49 and write "QEV" to the left of the entry space.

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, you must pay the social security and Medicare or railroad retirement (RRTA) tax on the unreported tips. You must also pay this tax if your W-2 form(s) shows allocated tips that you are including in your income on Form 1040, line 7.

To figure the tax, get **Form 4137**, Social Security and Medicare Tax on Unreported Tip Income. Enter the tax on line 50. But to pay the RRTA tax, contact your employer. Your employer will figure and collect the tax.

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 apply:

- 1. You received any early distributions from a qualified retirement plan (including your IRA), annuity, or modified endowment contract (entered into after June 20, 1988).
- 2. You made excess contributions to your IRA.

3. You had excess accumulations in a qualified retirement plan.

4. You received any excess distributions from a qualified retirement plan.

If any of the above apply, get **Form 5329** and its instructions to see if you owe this tax and if you must file Form 5329. Enter the tax from Form 5329 on line 51. **However**, if **only** item 1 above applies to you **and** distribution code 1 is shown in box 7 of your **Form 1099-R**, you do not have to file Form 5329. Instead, multiply the taxable amount of the distribution by 10% (.10) and enter the result on line 51. The taxable amount of the distribution is the part of the distribution you reported on line 15b or line 16b of Form 1040 or on Form 4972. Also, enter "No" on the dotted line next to line 51 to indicate that you do not have to file Form 5329. **But** if distribution code 1 is incorrectly shown in box 7, you must file Form 5329.

Caution: Be sure to include on line 15b or line 16b of Form 1040 or on Form 4972, whichever applies, the taxable part of any early distributions you received.

Line 52

Advance Earned Income Credit Payments

Enter the total amount of advance earned income credit (EIC) payments you received. These payments should be shown in box 9 of your W-2 form(s). See the instructions for line 56 to figure the earned income credit you can actually take.

Line 53

Total Tax

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. Also, enter the amount and "Section 72(m)(5)" on the dotted line next to line 53.

Uncollected Social Security and Medicare or RRTA Tax on Tips or Group-Term Life Insurance. If you did not have enough wages to cover the social security and Medicare 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 13 of your Form W-2.

You may have to pay social security and Medicare or RRTA tax on part of the cost of group-term life insurance you had through a former employer. The amount of tax due should be identified with codes **M** and **N** in box 13 of your Form W-2.

Include this tax in the total for line 53. Enter the amount and "Uncollected Tax" on the dotted line next to line 53.

Golden Parachute Payments. These 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 20% tax on the payment.

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 13. (Box 2 should also include any amount withheld for this tax.)

If you received a **Form 1099-MISC** that includes a parachute payment, any excess payment will be separately identified. Multiply the excess payment by 20% to figure the tax.

Include the tax in the total for line 53. Also, 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 withheld should be shown in box 2 of Form W-2 or W-2G, and in box 4 of Form 1099-R. If line 54 includes amounts withheld as shown on Form 1099-R, check the box on line 54 and attach the Form 1099-R.

Backup Withholding. If you received a 1994 Form 1099 showing Federal 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 box 4 of the other 1099 forms. Be sure to check the box on line 54.

Line 55

1994 Estimated Tax Payments

Enter on this line any payments you made on your estimated Federal income tax (**Form 1040-ES**) for 1994. Include any overpayment from your 1993 return that you applied to your 1994 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 details on how to divide your payments. Be sure to show both social security numbers (SSNs) in the space provided on the separate returns. If you or your spouse paid separate estimated tax but you are now filing a joint return, add the amounts you each paid. Follow these instructions even if your spouse died in 1994 or in 1995 before filing a 1994 return.

Divorced Taxpayers. If you got divorced in 1994 and you made joint estimated tax payments with your former spouse, enter your former spouse's SSN in the space provided on the front of Form 1040. If you were divorced and remarried in 1994, enter your present spouse's SSN 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 SSN, 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 1994, where you made the payments, and the name(s) and SSN(s) under which you made the payments.

Line 56

Earned Income Credit (EIC)

The EIC is a special credit for certain workers. It reduces tax you owe. It may give you a refund even if you don't owe any tax. To see if you can take this credit, answer the

questions on this page. But first see the **Caution** on this page. The credit can be as much as \$306 if you don't have a qualifying child (defined on page 28). If you have a qualifying child, the credit can be as much as \$2,038. If you have more than one qualifying child, it can be as much as \$2,528. If you can take the credit and have a qualifying child, you **must** attach Schedule EIC.

Caution: You **cannot** take the credit if your filing status is married filing separately or you are filing **Form 2555, Foreign Earned Income**, or **Form 2555-EZ, Foreign Earned Income Exclusion**. You also **cannot** take the credit if you were the qualifying child of another person in 1994. If you were, enter "No" next to line 56.

Questions To See if You Can Take the Earned Income Credit

All filers:

1. Do you have at least one qualifying child (defined on page 28)?
 No. Skip to question 4.
 Yes. Go to question 2.

If you have at least one qualifying child:

2. Is the total of your **taxable and nontaxable earned income** (see page 29) less than \$23,755 (less than \$25,296 if you have more than one qualifying child)? (Nontaxable earned income includes military housing and subsistence, and contributions to a 401(k) plan.)
 No. Stop. You **cannot** take the credit. Enter "No" next to line 56.
 Yes. Go to question 3.
3. Is the amount on Form 1040, line 31, less than \$23,755 (less than \$25,296 if you have more than one qualifying child)?
 No. Stop. You **cannot** take the credit.
 Yes. You can take the credit. **If you want the IRS to figure it for you, stop.** Enter "EIC" next to line 56 and attach Schedule EIC to your return. Also, enter the amount and type of any nontaxable earned income in the spaces provided on line 56. **If you want to figure the credit yourself, stop** and complete the worksheet on page 28 now.

If you don't have a qualifying child:

4. Were you (or your spouse if filing a joint return) at least age 25 but under age 65 at the end of 1994?
 No. Stop. You **cannot** take the credit. Enter "No" next to line 56.
 Yes. Go to question 5.
5. Can your parents (or someone else) claim you as a dependent on their 1994 tax return?
 Yes. Stop. You **cannot** take the credit.
 No. Go to question 6.
6. Was your home in the United States for more than half of 1994?
 No. Stop. You **cannot** take the credit. Enter "No" next to line 56.
 Yes. Go to question 7.
7. Is the total of your **taxable and nontaxable earned income** (see page 29) less than \$9,000? (Nontaxable earned income includes military housing and subsistence, and contributions to a 401(k) plan.)
 No. Stop. You **cannot** take the credit. Enter "No" next to line 56.
 Yes. Go to question 8.
8. Is the amount on Form 1040, line 31, less than \$9,000?
 No. Stop. You **cannot** take the credit.
 Yes. You can take the credit. **If you want the IRS to figure it for you, enter "EIC" next to line 56.** Also, enter the amount and type of any nontaxable earned income in the spaces provided on line 56. **If you want to figure the credit yourself, complete the worksheet on page 28.**

Earned Income Credit Worksheet—Line 56 (keep for your records)

Caution: If you are a minister or member of a religious order, see **Special Rules** on page 29 before completing this worksheet.

1. Enter the amount from Form 1040, line 7 1. _____
2. If you received a taxable scholarship or fellowship grant that wasn't reported on a W-2 form, enter that amount here 2. _____
3. Subtract line 2 from line 1 3. _____
4. Enter any **nontaxable earned income** (see page 29). Types of nontaxable earned income include contributions to a 401(k) plan, which should be shown in box 13 of your W-2 form, and military housing and subsistence 4. _____
5. If you were self-employed **or** used Schedule C or C-EZ as a statutory employee, enter the amount from the worksheet on page 29 5. _____
6. Add lines 3, 4, and 5 6. _____
7. Look up the amount on **line 6** above in the **EIC Table** on pages **30-31** to find your credit. Enter the credit here 7. _____
If line 7 is zero, **stop**. You cannot take the credit. Enter "No" next to Form 1040, line 56.
8. Enter the amount from Form 1040, line 31 8. _____
9. **Is line 8 less than—**
 - \$5,000 if you don't have a qualifying child?
 - \$11,000 if you have at least one qualifying child?
 - YES**. Go to line 10 now.
 - NO**. Look up the amount on **line 8** above in the **EIC Table** on pages **30-31** to find your credit. Enter the credit here 9. _____
10. **Earned income credit.**
 - If you checked "YES" on line 9, enter the amount from line 7.
 - If you checked "NO" on line 9, enter the **smaller** of line 7 or line 9 10. _____

Next: Take the amount from line 10 above and enter it on Form 1040, line 56.

AND

If you had any nontaxable earned income (see line 4 above), enter the amount and type of the income in the spaces provided on line 56.

AND

Complete Schedule EIC and attach it to your return **ONLY** if you have a qualifying child.

Note: If you owe the alternative minimum tax (Form 1040, line 48), subtract it from the amount on line 10 above. Then, enter the result (if more than zero) on Form 1040, line 56. Also, replace the amount on line 10 above with the amount entered on Form 1040, line 56.

Qualifying Child

A qualifying child is a child who:

1. Is your son, daughter, adopted child, grandchild, stepchild, or foster child, **and**
2. Was (at the end of 1994)—
 - under age 19, or
 - under age 24 and a student (see this page), or
 - any age and permanently and totally disabled (see this page), **and**
3. Lived with you in the United States for more than half of 1994 (for all of 1994 if a foster child). If the child didn't live with you for the required time, see the **Exception** later.

A child doesn't have to be your dependent in most cases. But if the child was married or is also a qualifying child of another person (other than your spouse if filing a joint return), special rules apply. See **Married Child** and

Qualifying Child of More Than One Person on this page.

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 1994 tax return. Your son is your qualifying child because he meets one condition from each of the three requirements listed earlier. Your son is not a qualifying child of his other parent because he did not live with the other parent for more than half of 1994 and the **Exception** on this page does not apply.

The following explains some of the terms used earlier.

- A **foster child** is any child you cared for as your own child. For example, if you acted as the parent of your niece or nephew, this child 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.

- A **student** is a child who—

1. Was enrolled as a full-time student at a school during any 5 months of 1994, or
2. Took a full-time, on-farm training course during any 5 months of 1994. 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.

- A child 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.
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.

Exception. The child, including a foster child, is considered to have lived with you for all of 1994 if **both** of the following apply.

1. The child was born or died in 1994.
2. Your home was the child's home for the entire time he or she was alive during 1994.

Temporary absences, such as for school, vacation, or medical care, count as time lived at home.

Married Child. If your child was married at the end of 1994, 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 14 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 1994 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" next to line 56.

Example. You and your 5-year-old daughter moved in with your mother in April 1994. 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 1994 was \$10,000 and your mother's was \$14,000. Because your mother's adjusted gross income was higher, your daughter is your mother's qualifying child.

Taxable Earned Income

This is usually the amount reported on Form 1040, line 7, plus your earnings from self-employment. (Use the worksheet on page 29 to figure your earnings from self-employment.) But if line 7 of Form 1040 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 amount on line 7. The result plus your earnings from self-employment is your taxable earned income for purposes of the earned income credit.

Nontaxable Earned Income

Certain earned income is not taxable, but it must be included to see if you can take the earned income credit. It is also used to figure the 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 are listed below.

- 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 1994. If it isn't or you need additional help, contact your legal assistance office or unit tax advisor.
- Housing allowances or rental value of a parsonage for clergy members. But if you are filing Schedule SE, see **Special Rules** on this page.
- 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 15 of your W-2 form should be checked. The amount deferred should be shown in box 13 of your W-2 form.
- Excludable dependent care benefits from Form 2441, line 19.
- Voluntary salary reductions, such as under a cafeteria plan, unless they are included in box 1 of your W-2 form(s). For details, get **Pub. 596**, Earned Income Credit.
- 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 you received in 1994.

Note: *Nontaxable earned income does not include welfare benefits.*

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.

Special Rules

If you are filing **Schedule SE**, Self-Employment Tax, and the amount on line 2

Line 5 of EIC Worksheet on Page 28 (keep for your records)

If 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 amounts to enter below.

- 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), complete lines 2a through 2c. But do not include on these lines any amount exempt from self-employment tax as the result of the filing and approval of Form 4029 or Form 4361.**
 - 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 line 5 of the Earned Income Credit Worksheet on page 28 even if a loss. If the result is a loss, enter it in parentheses and read the Caution below **4.** _____**

Caution: *If line 5 of the Earned Income Credit Worksheet is a loss, subtract it from the total of lines 3 and 4 of that worksheet and enter the result on line 6 of that worksheet. If the result is zero or less, you **can't** take the earned income credit.*

of that schedule includes an amount that was also reported on Form 1040, line 7, follow these special rules. First, write "Clergy" to the right of line 56. 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 line 4 of the worksheet on page 28 (or in the space provided on line 56 of Form 1040). 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 line 1 of the worksheet on page 28. Last, be sure to complete the worksheet on this page.

1994 Earned Income Credit (EIC) Table

Caution: This is not a tax table.

To find your credit: First, read down the "At least — But less than" columns and find the line that includes the amount you entered on line 6 or line 8 of the **Earned Income Credit Worksheet** on page 28. Next, read across to the column that includes the number of qualifying children you have. Then, enter the credit from that column on line 7 or line 9 of that worksheet, whichever applies.

If the amount on line 6 or line 8 of the worksheet on page 28 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 28 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 28 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 28 is—		And you have—		
At least	But less than	No children	One child	Two children	At least	But less than	No children	One child	Two children	At least	But less than	No children	One child	Two children	At least	But less than	No children	One child	Two children
		Your credit is—					Your credit is—					Your credit is—					Your credit is—		
\$1	\$50	\$2	\$7	\$8	3,000	3,050	231	796	908	6,000	6,050	228	1,585	1,808	9,000	11,000	0	2,038	2,528
50	100	6	20	23	3,050	3,100	235	809	923	6,050	6,100	224	1,598	1,823	11,000	11,050	0	2,034	2,523
100	150	10	33	38	3,100	3,150	239	822	938	6,100	6,150	220	1,611	1,838	11,050	11,100	0	2,026	2,514
150	200	13	46	53	3,150	3,200	243	835	953	6,150	6,200	216	1,624	1,853	11,100	11,150	0	2,018	2,505
200	250	17	59	68	3,200	3,250	247	848	968	6,200	6,250	212	1,637	1,868	11,150	11,200	0	2,010	2,497
250	300	21	72	83	3,250	3,300	251	861	983	6,250	6,300	208	1,650	1,883	11,200	11,250	0	2,002	2,488
300	350	25	85	98	3,300	3,350	254	874	998	6,300	6,350	205	1,663	1,898	11,250	11,300	0	1,994	2,479
350	400	29	99	113	3,350	3,400	258	888	1,013	6,350	6,400	201	1,677	1,913	11,300	11,350	0	1,986	2,470
400	450	33	112	128	3,400	3,450	262	901	1,028	6,400	6,450	197	1,690	1,928	11,350	11,400	0	1,978	2,461
450	500	36	125	143	3,450	3,500	266	914	1,043	6,450	6,500	193	1,703	1,943	11,400	11,450	0	1,970	2,452
500	550	40	138	158	3,500	3,550	270	927	1,058	6,500	6,550	189	1,716	1,958	11,450	11,500	0	1,962	2,444
550	600	44	151	173	3,550	3,600	273	940	1,073	6,550	6,600	186	1,729	1,973	11,500	11,550	0	1,954	2,435
600	650	48	164	188	3,600	3,650	277	953	1,088	6,600	6,650	182	1,742	1,988	11,550	11,600	0	1,946	2,426
650	700	52	178	203	3,650	3,700	281	967	1,103	6,650	6,700	178	1,756	2,003	11,600	11,650	0	1,938	2,417
700	750	55	191	218	3,700	3,750	285	980	1,118	6,700	6,750	174	1,769	2,018	11,650	11,700	0	1,930	2,408
750	800	59	204	233	3,750	3,800	289	993	1,133	6,750	6,800	170	1,782	2,033	11,700	11,750	0	1,922	2,399
800	850	63	217	248	3,800	3,850	293	1,006	1,148	6,800	6,850	166	1,795	2,048	11,750	11,800	0	1,914	2,390
850	900	67	230	263	3,850	3,900	296	1,019	1,163	6,850	6,900	163	1,808	2,063	11,800	11,850	0	1,906	2,382
900	950	71	243	278	3,900	3,950	300	1,032	1,178	6,900	6,950	159	1,821	2,078	11,850	11,900	0	1,898	2,373
950	1,000	75	256	293	3,950	4,000	304	1,045	1,193	6,950	7,000	155	1,834	2,093	11,900	11,950	0	1,890	2,364
1,000	1,050	78	270	308	4,000	4,050	306	1,059	1,208	7,000	7,050	151	1,848	2,108	11,950	12,000	0	1,882	2,355
1,050	1,100	82	283	323	4,050	4,100	306	1,072	1,223	7,050	7,100	147	1,861	2,123	12,000	12,050	0	1,874	2,346
1,100	1,150	86	296	338	4,100	4,150	306	1,085	1,238	7,100	7,150	143	1,874	2,138	12,050	12,100	0	1,866	2,337
1,150	1,200	90	309	353	4,150	4,200	306	1,098	1,253	7,150	7,200	140	1,887	2,153	12,100	12,150	0	1,858	2,329
1,200	1,250	94	322	368	4,200	4,250	306	1,111	1,268	7,200	7,250	136	1,900	2,168	12,150	12,200	0	1,850	2,320
1,250	1,300	98	335	383	4,250	4,300	306	1,124	1,283	7,250	7,300	132	1,913	2,183	12,200	12,250	0	1,842	2,311
1,300	1,350	101	348	398	4,300	4,350	306	1,137	1,298	7,300	7,350	128	1,926	2,198	12,250	12,300	0	1,835	2,302
1,350	1,400	105	362	413	4,350	4,400	306	1,151	1,313	7,350	7,400	124	1,940	2,213	12,300	12,350	0	1,827	2,293
1,400	1,450	109	375	428	4,400	4,450	306	1,164	1,328	7,400	7,450	120	1,953	2,228	12,350	12,400	0	1,819	2,284
1,450	1,500	113	388	443	4,450	4,500	306	1,177	1,343	7,450	7,500	117	1,966	2,243	12,400	12,450	0	1,811	2,276
1,500	1,550	117	401	458	4,500	4,550	306	1,190	1,358	7,500	7,550	113	1,979	2,258	12,450	12,500	0	1,803	2,267
1,550	1,600	120	414	473	4,550	4,600	306	1,203	1,373	7,550	7,600	109	1,992	2,273	12,500	12,550	0	1,795	2,258
1,600	1,650	124	427	488	4,600	4,650	306	1,216	1,388	7,600	7,650	105	2,005	2,288	12,550	12,600	0	1,787	2,249
1,650	1,700	128	441	503	4,650	4,700	306	1,230	1,403	7,650	7,700	101	2,019	2,303	12,600	12,650	0	1,779	2,240
1,700	1,750	132	454	518	4,700	4,750	306	1,243	1,418	7,700	7,750	98	2,032	2,318	12,650	12,700	0	1,771	2,231
1,750	1,800	136	467	533	4,750	4,800	306	1,256	1,433	7,750	7,800	94	2,038	2,333	12,700	12,750	0	1,763	2,223
1,800	1,850	140	480	548	4,800	4,850	306	1,269	1,448	7,800	7,850	90	2,038	2,348	12,750	12,800	0	1,755	2,214
1,850	1,900	143	493	563	4,850	4,900	306	1,282	1,463	7,850	7,900	86	2,038	2,363	12,800	12,850	0	1,747	2,205
1,900	1,950	147	506	578	4,900	4,950	306	1,295	1,478	7,900	7,950	82	2,038	2,378	12,850	12,900	0	1,739	2,196
1,950	2,000	151	519	593	4,950	5,000	306	1,308	1,493	7,950	8,000	78	2,038	2,393	12,900	12,950	0	1,731	2,187
2,000	2,050	155	533	608	5,000	5,050	304	1,322	1,508	8,000	8,050	75	2,038	2,408	12,950	13,000	0	1,723	2,178
2,050	2,100	159	546	623	5,050	5,100	300	1,335	1,523	8,050	8,100	71	2,038	2,423	13,000	13,050	0	1,715	2,169
2,100	2,150	163	559	638	5,100	5,150	296	1,348	1,538	8,100	8,150	67	2,038	2,438	13,050	13,100	0	1,707	2,161
2,150	2,200	166	572	653	5,150	5,200	293	1,361	1,553	8,150	8,200	63	2,038	2,453	13,100	13,150	0	1,699	2,152
2,200	2,250	170	585	668	5,200	5,250	289	1,374	1,568	8,200	8,250	59	2,038	2,468	13,150	13,200	0	1,691	2,143
2,250	2,300	174	598	683	5,250	5,300	285	1,387	1,583	8,250	8,300	55	2,038	2,483	13,200	13,250	0	1,683	2,134
2,300	2,350	178	611	698	5,300	5,350	281	1,400	1,598	8,300	8,350	52	2,038	2,498	13,250	13,300	0	1,675	2,125
2,350	2,400	182	625	713	5,350	5,400	277	1,414	1,613	8,350	8,400	48	2,038	2,513	13,300	13,350	0	1,667	2,116
2,400	2,450	186	638	728	5,400	5,450	273	1,427	1,628	8,400	8,450	44	2,038	2,528	13,350	13,400	0	1,659	2,108
2,450	2,500	189	651	743	5,450	5,500	270	1,440	1,643	8,450	8,500	40	2,038	2,543	13,400	13,450	0	1,651	2,099
2,500	2,550	193	664	758	5,500	5,550	266	1,453	1,658	8,500	8,550	36	2,038	2,558	13,450	13,500	0	1,643	2,090
2,550	2,600	197	677	773	5,550	5,600	262	1,466	1,673	8,550	8,600	33	2,038	2,573	13,500	13,550	0	1,635	2,081
2,600	2,650	201	690	788	5,600	5,650	258	1,479	1,688	8,600	8,650	29	2,038	2,588	13,550	13,600	0	1,627	2,072
2,650	2,700	205	704	803	5,650	5,700	254	1,493	1,703	8,650	8,700	25	2,038	2,603	13,600	13,650	0	1,619	2,063
2,700	2,750	208	717	818	5,700	5,750	251	1,506	1,718	8,700	8,750	21	2,038	2,618	13,650	13,700	0	1,611	2,055
2,750	2,800	212	730	833	5,750	5,800	247	1,519	1,733	8,750	8,800	17	2,038	2,633	13,700	13,750	0	1,603	2,046
2,800	2,850	216	743	848	5,800	5,850	243	1,532	1,748	8,800	8,850	13	2,038	2,648	13,750	13,800	0	1,595	2,037
2,850	2,900	220	756	863	5,850	5,900	239	1,545	1,763	8,850	8,900	10	2,038	2,663	13,800	13,850	0	1,587	2,028
2,900	2,950	224	769	878	5,900	5,950	235	1,558	1,778	8,900	8,950	6	2,038	2,678	13,850	13,900	0	1,579	2,019
2,950	3,000	228	782	893	5,950	6,000	231	1,571	1,793	8,950	9,000	2	2						

1994 Earned Income Credit (EIC) Table *Continued*

If the amount on line 6 or line 8 of the worksheet on page 28 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 28 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 28 is—		And you have—							
		No children	One child	Two children			No children	One child	Two children			No children	One child	Two children					
At least	But less than	Your credit is—			At least	But less than	Your credit is—			At least	But less than	Your credit is—							
13,950	14,000	0	1,563	2,002	17,150	17,200	0	1,051	1,436	20,350	20,400	0	540	870	23,550	23,600	0	29	304
14,000	14,050	0	1,555	1,993	17,200	17,250	0	1,043	1,427	20,400	20,450	0	532	861	23,600	23,650	0	21	295
14,050	14,100	0	1,547	1,984	17,250	17,300	0	1,036	1,418	20,450	20,500	0	524	852	23,650	23,700	0	13	287
14,100	14,150	0	1,539	1,975	17,300	17,350	0	1,028	1,409	20,500	20,550	0	516	843	23,700	23,750	0	5	278
14,150	14,200	0	1,531	1,966	17,350	17,400	0	1,020	1,400	20,550	20,600	0	508	835	23,750	23,800	0	*	269
14,200	14,250	0	1,523	1,957	17,400	17,450	0	1,012	1,392	20,600	20,650	0	500	826	23,800	23,850	0	0	260
14,250	14,300	0	1,515	1,948	17,450	17,500	0	1,004	1,383	20,650	20,700	0	492	817	23,850	23,900	0	0	251
14,300	14,350	0	1,507	1,940	17,500	17,550	0	996	1,374	20,700	20,750	0	484	808	23,900	23,950	0	0	242
14,350	14,400	0	1,499	1,931	17,550	17,600	0	988	1,365	20,750	20,800	0	476	799	23,950	24,000	0	0	234
14,400	14,450	0	1,491	1,922	17,600	17,650	0	980	1,356	20,800	20,850	0	468	790	24,000	24,050	0	0	225
14,450	14,500	0	1,483	1,913	17,650	17,700	0	972	1,347	20,850	20,900	0	460	782	24,050	24,100	0	0	216
14,500	14,550	0	1,475	1,904	17,700	17,750	0	964	1,339	20,900	20,950	0	452	773	24,100	24,150	0	0	207
14,550	14,600	0	1,467	1,895	17,750	17,800	0	956	1,330	20,950	21,000	0	444	764	24,150	24,200	0	0	198
14,600	14,650	0	1,459	1,887	17,800	17,850	0	948	1,321	21,000	21,050	0	436	755	24,200	24,250	0	0	189
14,650	14,700	0	1,451	1,878	17,850	17,900	0	940	1,312	21,050	21,100	0	428	746	24,250	24,300	0	0	180
14,700	14,750	0	1,443	1,869	17,900	17,950	0	932	1,303	21,100	21,150	0	420	737	24,300	24,350	0	0	172
14,750	14,800	0	1,435	1,860	17,950	18,000	0	924	1,294	21,150	21,200	0	412	729	24,350	24,400	0	0	163
14,800	14,850	0	1,427	1,851	18,000	18,050	0	916	1,285	21,200	21,250	0	404	720	24,400	24,450	0	0	154
14,850	14,900	0	1,419	1,842	18,050	18,100	0	908	1,277	21,250	21,300	0	396	711	24,450	24,500	0	0	145
14,900	14,950	0	1,411	1,834	18,100	18,150	0	900	1,268	21,300	21,350	0	388	702	24,500	24,550	0	0	136
14,950	15,000	0	1,403	1,825	18,150	18,200	0	892	1,259	21,350	21,400	0	380	693	24,550	24,600	0	0	127
15,000	15,050	0	1,395	1,816	18,200	18,250	0	884	1,250	21,400	21,450	0	372	684	24,600	24,650	0	0	119
15,050	15,100	0	1,387	1,807	18,250	18,300	0	876	1,241	21,450	21,500	0	364	676	24,650	24,700	0	0	110
15,100	15,150	0	1,379	1,798	18,300	18,350	0	868	1,232	21,500	21,550	0	356	667	24,700	24,750	0	0	101
15,150	15,200	0	1,371	1,789	18,350	18,400	0	860	1,224	21,550	21,600	0	348	658	24,750	24,800	0	0	92
15,200	15,250	0	1,363	1,781	18,400	18,450	0	852	1,215	21,600	21,650	0	340	649	24,800	24,850	0	0	83
15,250	15,300	0	1,355	1,772	18,450	18,500	0	844	1,206	21,650	21,700	0	332	640	24,850	24,900	0	0	74
15,300	15,350	0	1,347	1,763	18,500	18,550	0	836	1,197	21,700	21,750	0	324	631	24,900	24,950	0	0	66
15,350	15,400	0	1,339	1,754	18,550	18,600	0	828	1,188	21,750	21,800	0	316	622	24,950	25,000	0	0	57
15,400	15,450	0	1,331	1,745	18,600	18,650	0	820	1,179	21,800	21,850	0	308	614	25,000	25,050	0	0	48
15,450	15,500	0	1,323	1,736	18,650	18,700	0	812	1,171	21,850	21,900	0	300	605	25,050	25,100	0	0	39
15,500	15,550	0	1,315	1,727	18,700	18,750	0	804	1,162	21,900	21,950	0	292	596	25,100	25,150	0	0	30
15,550	15,600	0	1,307	1,719	18,750	18,800	0	796	1,153	21,950	22,000	0	284	587	25,150	25,200	0	0	21
15,600	15,650	0	1,299	1,710	18,800	18,850	0	788	1,144	22,000	22,050	0	276	578	25,200	25,250	0	0	13
15,650	15,700	0	1,291	1,701	18,850	18,900	0	780	1,135	22,050	22,100	0	268	569	25,250	25,296	0	0	4
15,700	15,750	0	1,283	1,692	18,900	18,950	0	772	1,126	22,100	22,150	0	260	561	25,296	or more	0	0	0
15,750	15,800	0	1,275	1,683	18,950	19,000	0	764	1,118	22,150	22,200	0	252	552					
15,800	15,850	0	1,267	1,674	19,000	19,050	0	756	1,109	22,200	22,250	0	244	543					
15,850	15,900	0	1,259	1,666	19,050	19,100	0	748	1,100	22,250	22,300	0	237	534					
15,900	15,950	0	1,251	1,657	19,100	19,150	0	740	1,091	22,300	22,350	0	229	525					
15,950	16,000	0	1,243	1,648	19,150	19,200	0	732	1,082	22,350	22,400	0	221	516					
16,000	16,050	0	1,235	1,639	19,200	19,250	0	724	1,073	22,400	22,450	0	213	508					
16,050	16,100	0	1,227	1,630	19,250	19,300	0	716	1,064	22,450	22,500	0	205	499					
16,100	16,150	0	1,219	1,621	19,300	19,350	0	708	1,056	22,500	22,550	0	197	490					
16,150	16,200	0	1,211	1,613	19,350	19,400	0	700	1,047	22,550	22,600	0	189	481					
16,200	16,250	0	1,203	1,604	19,400	19,450	0	692	1,038	22,600	22,650	0	181	472					
16,250	16,300	0	1,195	1,595	19,450	19,500	0	684	1,029	22,650	22,700	0	173	463					
16,300	16,350	0	1,187	1,586	19,500	19,550	0	676	1,020	22,700	22,750	0	165	455					
16,350	16,400	0	1,179	1,577	19,550	19,600	0	668	1,011	22,750	22,800	0	157	446					
16,400	16,450	0	1,171	1,568	19,600	19,650	0	660	1,003	22,800	22,850	0	149	437					
16,450	16,500	0	1,163	1,560	19,650	19,700	0	652	994	22,850	22,900	0	141	428					
16,500	16,550	0	1,155	1,551	19,700	19,750	0	644	985	22,900	22,950	0	133	419					
16,550	16,600	0	1,147	1,542	19,750	19,800	0	636	976	22,950	23,000	0	125	410					
16,600	16,650	0	1,139	1,533	19,800	19,850	0	628	967	23,000	23,050	0	117	401					
16,650	16,700	0	1,131	1,524	19,850	19,900	0	620	958	23,050	23,100	0	109	393					
16,700	16,750	0	1,123	1,515	19,900	19,950	0	612	950	23,100	23,150	0	101	384					
16,750	16,800	0	1,115	1,506	19,950	20,000	0	604	941	23,150	23,200	0	93	375					
16,800	16,850	0	1,107	1,498	20,000	20,050	0	596	932	23,200	23,250	0	85	366					
16,850	16,900	0	1,099	1,489	20,050	20,100	0	588	923	23,250	23,300	0	77	357					
16,900	16,950	0	1,091	1,480	20,100	20,150	0	580	914	23,300	23,350	0	69	348					
16,950	17,000	0	1,083	1,471	20,150	20,200	0	572	905	23,350	23,400	0	61	340					
17,000	17,050	0	1,075	1,462	20,200	20,250	0	564	897	23,400	23,450	0	53	331					
17,050	17,100	0	1,067	1,453	20,250	20,300	0	556	888	23,450	23,500	0	45	322					
17,100	17,150	0	1,059	1,445	20,300	20,350	0	548	879	23,500	23,550	0	37	313					

* If the amount on line 6 or line 8 of the worksheet is at least \$23,750 but less than \$23,755, your credit is \$1. Otherwise, you cannot take the credit.

Line 57

Amount Paid With Form 4868 (Extension Request)

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 and RRTA Tax Withheld

Excess Social Security Tax Withheld. If you had more than one employer for 1994 and your total wages were over \$60,600, too much social security tax may have been withheld. 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. The limit on the amount of wages subject to Medicare tax has been repealed.

If any one employer withheld more than \$3,757.20 of social security tax, you must ask that 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 1994 and your total compensation was over \$60,600, too much tier 1 tax may have been withheld. If your total compensation was over \$45,000, too much tier 2 tax may have been withheld. 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 \$3,757.20 of tier 1 tax or more than \$2,205.00 of tier 2 tax, you must ask that 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.

Excess Social Security 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 \$3,757.20 for each employer. This tax should be shown in box 4 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 \$3,757.20 or less, stop here ; you do not have any excess social security tax withheld	3. _____
4. Social security tax limit	4. <u>3,757.20</u>
5. Excess social security tax withheld. Subtract line 4 from line 3. Enter the result here and on Form 1040, line 58	5. _____

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.

Refund or Amount You Owe

Line 61

Amount Overpaid

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 want to decrease the amount of income tax withheld from your pay. See **Income Tax Withholding and Estimated Tax Payments for 1995** on page 34.

Injured Spouse Claim. If you file a joint return and your spouse has not paid child or spousal support payments or 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 required 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. Write "Injured Spouse" in the upper left corner of Form 1040 and attach Form 8379. If you have already filed your return for 1994, file Form 8379 by itself to get your refund.

Note: You may also be able to file an injured spouse claim for prior years. See Form 8379 for details.

Line 62

Refund

If you filed Form 8841, Deferral of Additional 1993 Taxes, with your 1993 tax return, you may be able to apply part or all of your refund to your installment due by April 17, 1995. The most you can apply is the amount of your refund, reduced by any payments made after April 17, 1995. Also, you must file your 1994 return on or before its due date, including extensions.

Caution: If you have any other outstanding Federal tax liability (including any other 1993 Federal income tax liability), any refund on your 1994 tax return will first be applied to such a liability before being applied to the installment due. This is true regardless of how you indicate to apply your refund. If the remaining refund is not sufficient to cover the installment due, your installment payment election will be terminated. Any unpaid installments of the additional 1993 Federal income taxes will be due upon notice and demand from the IRS. In addition, you will owe interest and the failure to pay penalty on any remaining balance from the due date of the installment. Therefore, it may be to your advantage to use the separate payment option explained under **Payment of Deferred Additional 1993 Taxes** on page 7.

To apply part or all of your refund, on the dotted line next to line 62 write the words "93 OBRA Install." and the amount you want applied. **Do not** reduce the amount on line 62 by the amount applied. If the amount you apply is less than the installment due, you may send a separate check for the balance, as explained on page 7. **Do not** include a check for the balance with your return.

Line 63

Applied to 1995 Estimated Tax

Subtract line 62 from line 61 and enter the result on line 63. This is the amount that will be applied to your estimated tax for 1995. 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. This election to apply part or all of the amount overpaid to your 1995 estimated tax cannot be changed later.

Line 64

Amount You Owe

Enclose in the envelope with your return a check or money order payable to the Internal Revenue Service for the full amount due when you file. **Do not** attach the payment to your return. Write your name, address, social security number, daytime phone number, and "1994 Form 1040" on your payment. You do not have to pay if line 64 is under \$1.

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 1994, you may need to (a) increase the amount of income tax withheld from your pay or (b) make estimated tax payments for 1995. See *Income Tax Withholding and Estimated Tax Payments for 1995* on page 34.

Installment Payments. If you cannot pay the full amount shown on line 64 with your return, you may ask to make monthly installment payments. However, you will be charged interest and a late payment penalty on the tax not paid by April 17, 1995, even if your request to pay in installments is granted. To limit the interest and penalty charges, pay as much of the tax as possible. But before requesting an installment agreement, you should consider other less costly alternatives, such as a bank loan.

To ask for an installment agreement, use **Form 9465**, Installment Agreement Request. You can get Form 9465 by calling 1-800-TAX-FORM (1-800-829-3676). You should receive a response to your request for installments within 30 days. But if you file your return after March 31, it may take us longer to reply.

Line 65

Estimated Tax Penalty

You may owe this penalty if:

- Line 64 is at least \$500 and it is more than 10% of the tax shown on your return, or
- You did not pay enough estimated tax by any of the due dates. This is true even if you are due a refund.

For most people, the "tax shown on your return" is the amount on line 53 minus the total of any amounts shown on line 56 and Forms 8828, 4137, 4136, and 5329 (Parts II, III, and IV only).

Get **Form 2210** (or **Form 2210-F** for farmers and fishermen) to see if you owe the penalty. If so, you can use the form to figure the amount. In certain situations, you may be able to lower your penalty. For details, see the Instructions for Form 2210 (or 2210-F). Because Form 2210 is complicated, if you want, the IRS will figure the penalty for you and send you a bill.

Exceptions to the Penalty. You will not owe the penalty if your 1993 tax return was for a tax year of 12 full months AND either of the following applies:

1. You had no tax liability for 1993 and you were a U.S. citizen or resident for all of 1993, or
2. The total of lines 54, 55, and 58 on your 1994 return is at least as much as your 1993 tax liability. Your estimated tax payments for 1994 must have been made on time and for the required amount.

Caution: If your 1993 adjusted gross income was over \$150,000 (over \$75,000 if your 1994 filing status is married filing separately), item 2 above applies only if the total of lines 54, 55, and 58 on your 1994 return is at least 110% of your 1993 tax liability. This rule does not apply to farmers and fishermen.

Figuring the Penalty. If the **Exceptions** above do not apply and you choose to figure the penalty yourself, use Form 2210 (or 2210-F). Enter the penalty on Form 1040, line 65. Add the penalty to any tax due and enter the total on line 64. If you are due a refund, subtract the penalty from the overpayment

you show on line 61. **Do not** file Form 2210 with your return. Instead, keep it for your records.

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 date of the bill.

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 as a surviving spouse, see **Death of Taxpayer** on page 34.

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 by hand in the space provided. Signature stamps or labels cannot be used. The preparer must give you a copy of the return for your records. Someone who prepares your return but does not charge you should not sign your return.

Avoid Common Mistakes

1. If the amount on Form 1040, line 31, is under \$25,296 and a child lived with you (under \$9,000 if a child didn't live with you), did you read the instructions for line 56 that begin on page 27 to see if you can take the earned income credit?

2. If you are taking the standard deduction and you checked any box on line 33a or 33b, did you see page 23 to find the correct amount to enter on line 34?

3. If you (or your spouse if you checked the box on line 6b) were age 65 or older or blind, did you check the appropriate boxes on line 33a?

4. Are your name, address, and SSN correct on the mailing label? If not, did you enter the correct information?

5. If you are married filing jointly and didn't get a mailing label, or you are married filing separately, did you enter your spouse's SSN in the space provided on page 1 of Form 1040? Did you enter your SSN in the space provided next to your name?

6. Did you check your math especially when figuring your taxable income, total income, total tax, Federal income tax withheld, and your refund or amount you owe?

7. If you received capital gain distributions and you didn't report those distributions on Schedule D, did you enter them on Form 1040, line 13, and write "CGD" on the dotted line next to line 13?

8. Did you attach your W-2 form(s) and other required forms and schedules? Did you put all forms and schedules in the proper order? See **Assemble Your Return** below.

9. Did you sign and date Form 1040 and enter your occupation?

10. If you are making a payment, did you include your SSN on it?

Assemble Your Return

Assemble any 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. Put forms without an attachment sequence number next. If you have supporting statements, arrange them in the same order as the forms or schedules they support and attach them last. Attach the first copy or Copy B of Form(s) W-2 to the front of Form 1040. If you received a Form 1099-R showing Federal income tax withheld, also attach the first copy or Copy B of that form. If you are making a payment, **do not** attach it to your return. Instead, place it loose inside the envelope.

Section 4.

General Information

What Are My Rights as a Taxpayer?

You have the right to be treated fairly, professionally, promptly, and courteously by IRS 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 (see page 35).

Income Tax Withholding and Estimated Tax Payments for 1995

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. In general, you do not have to make estimated tax payments if you expect that your 1995 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 1995 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 SSN 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 SSN 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 SSN on your social security card is incorrect, call the Social Security Administration at 1-800-772-1213.

How Do I 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 1995 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, 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**. If you have questions about your account, call or write 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.

Death of Taxpayer

If a taxpayer died before filing a return for 1994, 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 deceased taxpayer's name, and the date of death across the top of the return.

If your spouse died in 1994 and you did not remarry in 1994, you can file a joint return. You can also file a joint return if your spouse died in 1995 before filing a 1994 return. A joint return should show your spouse's 1994 income before death and your income for all of 1994. 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 surviving spouse or personal representative should promptly notify all payers of income, including financial institutions, of the taxpayer's 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 filing a joint return as a surviving spouse, 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, call Tele-Tax (see page 38) and listen to topic 356 or get **Pub. 559, Survivors, Executors, and Administrators**.

How To Get Forms and Publications

Generally, we mail forms and schedules directly to you based on what you filed last year. 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**, you can visit your local IRS office, a participating bank, post office, or library; or use the order blank below; or call 1-800-TAX-FORM (1-800-829-3676) from **8 A.M. to 5 P.M. weekdays** and **9 A.M. to 3 P.M. Saturdays**. (In Alaska and Hawaii, the hours are Pacific Standard Time; in Puerto Rico, the hours are Eastern Standard Time.)

Mail Orders

We will send you two copies of each form and one copy of each publication or set of instructions you order from us. To help reduce waste, please order only the items you think you will need to prepare your return. You should receive your order or notification of the status of your order within 7-15 workdays after we receive your request.

Order Blank Instructions

Circle the items you want on the order blank below. Use the blank spaces to order items not listed. If you need more space, attach a separate sheet of paper.

Print or type your name and address accurately in the space provided below. Cut the order blank on the dotted line. Enclose the order blank in your own envelope and address it to the IRS address shown on this page that applies to you. **Do not** send your tax return to any of the addresses listed on this page. Instead, see **Where Do I File?** on page 10.

Where To Mail Your Order Blank for Free Forms and Publications

If you live in:	Mail to:	Other locations:
Alaska, Arizona, California, Colorado, Hawaii, Idaho, Kansas, Montana, Nevada, New Mexico, Oklahoma, Oregon, Utah, Washington, Wyoming, Guam, Northern Marianas, American Samoa	Western Area Distribution Center Rancho Cordova, CA 95743-0001	Foreign Addresses— Taxpayers with mailing addresses in foreign countries should mail 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. Mail 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, Lockhart Gardens No. 1-A, 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

Fill in your name and address

Name _____

Number, street, and apt. number _____

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

Circle the Forms, Instructions, and Publications You Need

The items in bold type may be picked up at many banks, post offices, and libraries.

1040	Schedule F (1040)	1040EZ	2441 & instructions	8822 & instructions	Pub. 505	Pub. 554	
Instructions for 1040 & Schedules	Schedule R (1040) & instructions	Instructions for 1040EZ	3903 & instructions	8829 & instructions	Pub. 508	Pub. 575	
Schedules A&B (1040)	Schedule SE (1040)	1040-ES & instructions (1995)	4562 & instructions	Pub. 1	Pub. 521	Pub. 590	
Schedule C (1040)	1040A	1040X & instructions	4868 & instructions	Pub. 17	Pub. 523	Pub. 596	
Schedule C-EZ (1040)	Instructions for 1040A & Schedules	2106 & instructions	5329 & instructions	Pub. 334	Pub. 525	Pub. 910	
Schedule D (1040)	Schedule 1 (1040A)	2106-EZ & instructions	8283 & instructions	Pub. 463	Pub. 527	Pub. 917	
Schedule E (1040)	Schedule 2 (1040A)	2119 & instructions	8582 & instructions	Pub. 501	Pub. 529	Pub. 929	
Schedule EIC (1040A or 1040)	Schedule 3 (1040A) & instructions	2210 & instructions	8606 & instructions	Pub. 502	Pub. 550	Pub. 936	



N

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 over \$400; for dividends and other distributions on stock if over \$400; and for answering the Foreign Accounts or Trusts questions

Schedule EIC qualifying child information 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 2106-EZ, Unreimbursed Employee Business Expenses

Form 2119, Sale of Your Home

Form 2210, Underpayment of Estimated Tax by Individuals, Estates, and Trusts

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 5329, Additional Taxes Attributable to Qualified Retirement Plans (Including IRAs), Annuities, and Modified Endowment Contracts

Form 8283, Noncash Charitable Contributions

Form 8582, Passive Activity Loss Limitations

Form 8606, Nondeductible IRAs (Contributions, Distributions, and Basis)

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

505 Tax Withholding and Estimated Tax

508 Educational Expenses

521 Moving Expenses

523 Selling Your Home

525 Taxable and Nontaxable Income

527 Residential Rental Property (Including Rental of Vacation Homes)

529 Miscellaneous Deductions

550 Investment Income and Expenses

554 Tax Information for Older Americans

575 Pension and Annuity Income

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

936 Home Mortgage Interest Deduction

Call the IRS With Your Tax Question

If you cannot answer your tax question by reading the tax form instructions or one of our free tax publications, please call us for assistance. You will not be charged for the call unless your phone company charges you for local calls. This service is available Monday through Friday from 7:30 a.m. to 5:30 p.m. (hours in Alaska and Hawaii may vary). If you only need to order forms or publications, see page 35 instead.

If you want to check on the status of your **refund**, call **Tele-Tax**. See page 38 for the number.

Before You Call

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.

Tax Help Telephone Numbers

Choosing the Right Number

Use only the number listed below for your state or local calling area. Use a local number only if it is not a long distance call for you. **Do not dial "1-800" when using a local number.** However, if your area does not have a local number, dial 1-800-829-1040.

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, 834-9005
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 People With Impaired Hearing

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

Note: This number is answered
by TDD equipment only.

Hours of TDD Operation

8:00 A.M. to 6:30 P.M. EST
(Jan. 1–April 1)

9:00 A.M. to 7:30 P.M. EDT
(April 2–April 17)

9:00 A.M. to 5:30 P.M. EDT
(April 18–Oct. 28)

8:00 A.M. to 4:30 P.M. EST
(Oct. 29–Dec. 31)

What Is Tele-Tax?

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

How Do I Use Tele-Tax?

Automated Refund Information

Be sure to have a copy of your tax return available because 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.)

Recorded Tax Information

A complete list of topics is on the next page. Touch-tone service is available 24 hours a day, 7 days a week.

Select the number of the topic you want to hear. Then, call the appropriate phone number listed on this page. **For the directory of topics, listen to topic 123.** Have paper and pencil handy to take notes.

Tele-Tax Telephone Numbers

Choosing the Right Number

Use only the number listed below for your state or local calling area. Use a local number only if it is not a long distance call for you. **Do not dial "1-800" when using a local number.** However, if your area does not have a local number, dial 1-800-829-4477.

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
Nashville, 781-5040
Elsewhere, 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 Topics

Topic No.	Subject
	IRS Help Available
101	IRS services—Volunteer tax assistance, toll-free telephone, walk-in assistance, and outreach programs
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
911	Hardship assistance applications
	IRS Procedures
151	Your appeal rights
152	Refunds—How long they should take
153	What to do if you haven't filed your tax return (Nonfilers)
154	Form W-2—What to do if not received
155	Forms and Publications—How to order
156	Copy of your tax return—How to get one
157	Change of address—How to notify the IRS
	Collection
201	The collection process
202	What to do if you can't pay your tax
203	Failure to pay child support and other Federal obligations
204	Offers in compromise
	Alternative Filing Methods
251	Form 1040PC tax return
252	Electronic filing
253	Substitute tax forms
254	How to choose a tax preparer
	General Information
301	When, where, and how to file
302	Highlights of tax changes
303	Checklist of common errors when preparing your tax return
304	Extensions of time to file your tax return
305	Recordkeeping
306	Penalty for underpayment of estimated tax
307	Backup withholding
308	Amended returns
309	Tax fraud—How to report
310	Tax-exempt status for organizations
311	How to apply for exempt status
312	Power of attorney information
999	Local information
	Filing Requirements, Filing Status, and Exemptions
351	Who must file?
352	Which form—1040, 1040A, or 1040EZ?
353	What is your filing status?
354	Dependents
355	Estimated tax
356	Decedents
	Types of Income
401	Wages and salaries
402	Tips
403	Interest received
404	Dividends
405	Refunds of state and local taxes
406	Alimony received
407	Business income
408	Sole proprietorship

Topic No.	Subject
409	Capital gains and losses
410	Pensions and annuities
411	Pensions—The general rule and the simplified general rule
412	Lump-sum distributions
413	Rollovers from retirement plans
414	Rental income and expenses
415	Renting vacation property and renting to relatives
416	Royalties
417	Farming and fishing income
418	Earnings for clergy
419	Unemployment compensation
420	Gambling income and expenses
421	Bartering income
422	Scholarship and fellowship grants
423	Nontaxable income
424	Social security and equivalent railroad retirement benefits
425	401(k) plans
426	Passive activities—Losses and credits
	Adjustments to Income
451	Individual retirement arrangements (IRAs)
452	Alimony paid
453	Bad debt deduction
454	Tax shelters
455	Moving expenses
	Itemized Deductions
501	Should I itemize?
502	Medical and dental expenses
503	Deductible taxes
504	Home mortgage points
505	Interest expense
506	Contributions
507	Casualty losses
508	Miscellaneous expenses
509	Business use of home
510	Business use of car
511	Business travel expenses
512	Business entertainment expenses
513	Educational expenses
514	Employee business expenses
515	Disaster area losses
	Tax Computation
551	Standard deduction
552	Tax and credits figured by the IRS
553	Tax on a child's investment income
554	Self-employment tax
555	Five- or ten-year averaging for lump-sum distributions
556	Alternative minimum tax
557	Estate tax
558	Gift tax
	Tax Credits
601	Earned income credit (EIC)
602	Child and dependent care credit
603	Credit for the elderly or the disabled
604	Advance earned income credit
	IRS Notices and Letters
651	Notices—What to do
652	Notice of underreported income—CP 2000
653	IRS notices and bills and penalty and interest charges
654	Notice of changed tax return—CP 12
	Basis of Assets, Depreciation, and Sale of Assets
701	Sale of your home—General
702	Sale of your home—How to report gain
703	Sale of your home—Exclusion of gain, age 55 and over
704	Basis of assets
705	Depreciation
706	Installment sales

Topic No.	Subject
	Employer Tax Information
751	Social security and Medicare withholding rates
752	Form W-2—Where, when, and how to file
753	Form W-4—Employee's Withholding Allowance Certificate
754	Form W-5—Advance earned income credit
755	Employer identification number (EIN)—How to apply
756	Employment taxes for household employees
757	Form 941—Deposit requirements
758	Form 941—Employer's Quarterly Federal Tax Return
759	Form 940/940-EZ—Deposit requirements
760	Form 940/940-EZ—Employer's Annual Federal Unemployment Tax Return
761	Form 945—Annual Return of Withheld Federal Income Tax
762	Tips—Withholding and reporting
	Magnetic Media Filers—1099 Series and Related Information Returns (For electronic filing of individual returns, listen to topic 252.)
801	Who must file magnetically
802	Acceptable media and locating a third party to prepare your files
803	Applications, forms, and information
804	Waivers and extensions
805	Test files and combined Federal and state filing
806	Electronic filing of information returns
807	Information Reporting Program Bulletin Board System
	Tax Information for Aliens and U.S. Citizens Living Abroad
851	Resident and nonresident aliens
852	Dual-status alien
853	Foreign earned income exclusion—General
854	Foreign earned income exclusion—Who qualifies?
855	Foreign earned income exclusion—What qualifies?
856	Foreign tax credit
	Tax Information for Puerto Rico Residents (in Spanish)
901	Who must file a U.S. income tax return in Puerto Rico
902	Deductions and credits for Puerto Rico filers
903	Federal employment taxes in Puerto Rico
904	Tax assistance for Puerto Rico residents
	Other Tele-Tax Topics in Spanish
951	IRS services—Volunteer tax assistance, toll-free telephone, walk-in assistance, and outreach programs
952	Refunds—How long they should take
953	Forms and publications—How to order
954	Highlights of tax changes
955	Who must file?
956	Which form to use?
957	What is your filing status?
958	Social security and equivalent railroad retirement benefits
959	Earned income credit (EIC)
960	Advance earned income credit
961	Alien tax clearance

Topic numbers are effective January 1, 1995.

Section 5.

Interest and Penalties

Note: *You do not have to figure the amount of any interest or penalties you may owe. Because figuring these amounts is complicated, we will do it for you if you want. We will send you a bill for any amount due.*

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.

Penalty for Late Filing

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 in the **Amount You Owe** on line 64.

Penalty for 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 in the **Amount You Owe** on line 64.

Estimated Tax Penalty

If line 64 is at least \$500 and it is more than 10% of the tax shown on line 53 of your return, you may owe this penalty. Also, the penalty may be due if you underpaid your 1994 estimated tax liability for any payment period. For more details, see the instructions for line 65 on page 33.

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 6.

1994 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	4,106	3,784	4,593	3,784
25,250	25,300	4,120	3,791	4,607	3,791
25,300	25,350	4,134	(3,799)	4,621	3,799
25,350	25,400	4,148	3,806	4,635	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—		Your tax is—				Your tax is—				Your tax is—				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	3,000	3,000	454	454	454	454				
5	15	2	2	2	2	1,325	1,350	201	201	201	201	2,725	2,750	411	411	411	411	3,050	3,100	461	461	461	461				
15	25	3	3	3	3	1,350	1,375	204	204	204	204	2,750	2,775	414	414	414	414	3,100	3,150	469	469	469	469				
25	50	6	6	6	6	1,375	1,400	208	208	208	208	2,775	2,800	418	418	418	418	3,150	3,200	476	476	476	476				
50	75	9	9	9	9	1,400	1,425	212	212	212	212	2,800	2,825	422	422	422	422	3,200	3,250	484	484	484	484				
75	100	13	13	13	13	1,425	1,450	216	216	216	216	2,825	2,850	426	426	426	426	3,250	3,300	491	491	491	491				
100	125	17	17	17	17	1,450	1,475	219	219	219	219	2,850	2,875	429	429	429	429	3,300	3,350	499	499	499	499				
125	150	21	21	21	21	1,475	1,500	223	223	223	223	2,875	2,900	433	433	433	433	3,350	3,400	506	506	506	506				
150	175	24	24	24	24	1,500	1,525	227	227	227	227	2,900	2,925	437	437	437	437	3,400	3,450	514	514	514	514				
175	200	28	28	28	28	1,525	1,550	231	231	231	231	2,925	2,950	441	441	441	441	3,450	3,500	521	521	521	521				
200	225	32	32	32	32	1,550	1,575	234	234	234	234	2,950	2,975	444	444	444	444	3,500	3,550	529	529	529	529				
225	250	36	36	36	36	1,575	1,600	238	238	238	238	2,975	3,000	448	448	448	448	3,550	3,600	536	536	536	536				
250	275	39	39	39	39	1,600	1,625	242	242	242	242	3,000						3,600	3,650	544	544	544	544				
275	300	43	43	43	43	1,625	1,650	246	246	246	246	3,050						3,650	3,700	551	551	551	551				
300	325	47	47	47	47	1,650	1,675	249	249	249	249	3,100						3,700	3,750	559	559	559	559				
325	350	51	51	51	51	1,675	1,700	253	253	253	253	3,150						3,750	3,800	566	566	566	566				
350	375	54	54	54	54	1,700	1,725	257	257	257	257	3,200						3,800	3,850	574	574	574	574				
375	400	58	58	58	58	1,725	1,750	261	261	261	261	3,250						3,850	3,900	581	581	581	581				
400	425	62	62	62	62	1,750	1,775	264	264	264	264	3,300						3,900	3,950	589	589	589	589				
425	450	66	66	66	66	1,775	1,800	268	268	268	268	3,350						3,950	4,000	596	596	596	596				
450	475	69	69	69	69	1,800	1,825	272	272	272	272	3,400										4,000	4,050	604	604	604	604
475	500	73	73	73	73	1,825	1,850	276	276	276	276	3,450						4,050	4,100	611	611	611	611				
500	525	77	77	77	77	1,850	1,875	279	279	279	279	3,500						4,100	4,150	619	619	619	619				
525	550	81	81	81	81	1,875	1,900	283	283	283	283	3,550						4,150	4,200	626	626	626	626				
550	575	84	84	84	84	1,900	1,925	287	287	287	287	3,600						4,200	4,250	634	634	634	634				
575	600	88	88	88	88	1,925	1,950	291	291	291	291	3,650						4,250	4,300	641	641	641	641				
600	625	92	92	92	92	1,950	1,975	294	294	294	294	3,700						4,300	4,350	649	649	649	649				
625	650	96	96	96	96	1,975	2,000	298	298	298	298	3,750						4,350	4,400	656	656	656	656				
650	675	99	99	99	99	2,000												4,400	4,450	664	664	664	664				
675	700	103	103	103	103	2,000	2,025	302	302	302	302	3,800						4,450	4,500	671	671	671	671				
700	725	107	107	107	107	2,025	2,050	306	306	306	306	3,850						4,500	4,550	679	679	679	679				
725	750	111	111	111	111	2,050	2,075	309	309	309	309	3,900						4,550	4,600	686	686	686	686				
750	775	114	114	114	114	2,075	2,100	313	313	313	313	3,950						4,600	4,650	694	694	694	694				
775	800	118	118	118	118	2,100	2,125	317	317	317	317	4,000						4,650	4,700	701	701	701	701				
800	825	122	122	122	122	2,125	2,150	321	321	321	321	4,050						4,700	4,750	709	709	709	709				
825	850	126	126	126	126	2,150	2,175	324	324	324	324	4,100						4,750	4,800	716	716	716	716				
850	875	129	129	129	129	2,175	2,200	328	328	328	328	4,150						4,800	4,850	724	724	724	724				
875	900	133	133	133	133	2,200	2,225	332	332	332	332	4,200						4,850	4,900	731	731	731	731				
900	925	137	137	137	137	2,225	2,250	336	336	336	336	4,250						4,900	4,950	739	739	739	739				
925	950	141	141	141	141	2,250	2,275	339	339	339	339	4,300						4,950	5,000	746	746	746	746				
950	975	144	144	144	144	2,275	2,300	343	343	343	343	4,350															
975	1,000	148	148	148	148	2,300	2,325	347	347	347	347	4,400															
1,000						2,325	2,350	351	351	351	351	4,450															
1,000	1,025	152	152	152	152	2,350	2,375	354	354	354	354	4,500															
1,025	1,050	156	156	156	156	2,375	2,400	358	358	358	358	4,550															
1,050	1,075	159	159	159	159	2,400	2,425	362	362	362	362	4,600															
1,075	1,100	163	163	163	163	2,425	2,450	366	366	366	366	4,650															
1,100	1,125	167	167	167	167	2,450	2,475	369	369	369	369	4,700															
1,125	1,150	171	171	171	171	2,475	2,500	373	373	373	373	4,750															
1,150	1,175	174	174	174	174	2,500	2,525	377	377	377	377	4,800															
1,175	1,200	178	178	178	178	2,525	2,550	381	381	381	381	4,850															
1,200	1,225	182	182	182	182	2,550	2,575	384	384	384	384	4,900															
1,225	1,250	186	186	186	186	2,575	2,600	388	388	388	388	4,950															
1,250	1,275	189	189	189	189	2,600	2,625	392	392	392	392	5,000															
1,275	1,300	193	193	193	193	2,625	2,650	396	396	396	396																
						2,650	2,675	399	399	399	399																
						2,675	2,700	403	403	403	403																

Continued on next page

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

1994 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—			
5,000						8,000						11,000					
5,000	5,050	754	754	754	754	8,000	8,050	1,204	1,204	1,204	1,204	11,000	11,050	1,654	1,654	1,654	1,654
5,050	5,100	761	761	761	761	8,050	8,100	1,211	1,211	1,211	1,211	11,050	11,100	1,661	1,661	1,661	1,661
5,100	5,150	769	769	769	769	8,100	8,150	1,219	1,219	1,219	1,219	11,100	11,150	1,669	1,669	1,669	1,669
5,150	5,200	776	776	776	776	8,150	8,200	1,226	1,226	1,226	1,226	11,150	11,200	1,676	1,676	1,676	1,676
5,200	5,250	784	784	784	784	8,200	8,250	1,234	1,234	1,234	1,234	11,200	11,250	1,684	1,684	1,684	1,684
5,250	5,300	791	791	791	791	8,250	8,300	1,241	1,241	1,241	1,241	11,250	11,300	1,691	1,691	1,691	1,691
5,300	5,350	799	799	799	799	8,300	8,350	1,249	1,249	1,249	1,249	11,300	11,350	1,699	1,699	1,699	1,699
5,350	5,400	806	806	806	806	8,350	8,400	1,256	1,256	1,256	1,256	11,350	11,400	1,706	1,706	1,706	1,706
5,400	5,450	814	814	814	814	8,400	8,450	1,264	1,264	1,264	1,264	11,400	11,450	1,714	1,714	1,714	1,714
5,450	5,500	821	821	821	821	8,450	8,500	1,271	1,271	1,271	1,271	11,450	11,500	1,721	1,721	1,721	1,721
5,500	5,550	829	829	829	829	8,500	8,550	1,279	1,279	1,279	1,279	11,500	11,550	1,729	1,729	1,729	1,729
5,550	5,600	836	836	836	836	8,550	8,600	1,286	1,286	1,286	1,286	11,550	11,600	1,736	1,736	1,736	1,736
5,600	5,650	844	844	844	844	8,600	8,650	1,294	1,294	1,294	1,294	11,600	11,650	1,744	1,744	1,744	1,744
5,650	5,700	851	851	851	851	8,650	8,700	1,301	1,301	1,301	1,301	11,650	11,700	1,751	1,751	1,751	1,751
5,700	5,750	859	859	859	859	8,700	8,750	1,309	1,309	1,309	1,309	11,700	11,750	1,759	1,759	1,759	1,759
5,750	5,800	866	866	866	866	8,750	8,800	1,316	1,316	1,316	1,316	11,750	11,800	1,766	1,766	1,766	1,766
5,800	5,850	874	874	874	874	8,800	8,850	1,324	1,324	1,324	1,324	11,800	11,850	1,774	1,774	1,774	1,774
5,850	5,900	881	881	881	881	8,850	8,900	1,331	1,331	1,331	1,331	11,850	11,900	1,781	1,781	1,781	1,781
5,900	5,950	889	889	889	889	8,900	8,950	1,339	1,339	1,339	1,339	11,900	11,950	1,789	1,789	1,789	1,789
5,950	6,000	896	896	896	896	8,950	9,000	1,346	1,346	1,346	1,346	11,950	12,000	1,796	1,796	1,796	1,796
6,000						9,000						12,000					
6,000	6,050	904	904	904	904	9,000	9,050	1,354	1,354	1,354	1,354	12,000	12,050	1,804	1,804	1,804	1,804
6,050	6,100	911	911	911	911	9,050	9,100	1,361	1,361	1,361	1,361	12,050	12,100	1,811	1,811	1,811	1,811
6,100	6,150	919	919	919	919	9,100	9,150	1,369	1,369	1,369	1,369	12,100	12,150	1,819	1,819	1,819	1,819
6,150	6,200	926	926	926	926	9,150	9,200	1,376	1,376	1,376	1,376	12,150	12,200	1,826	1,826	1,826	1,826
6,200	6,250	934	934	934	934	9,200	9,250	1,384	1,384	1,384	1,384	12,200	12,250	1,834	1,834	1,834	1,834
6,250	6,300	941	941	941	941	9,250	9,300	1,391	1,391	1,391	1,391	12,250	12,300	1,841	1,841	1,841	1,841
6,300	6,350	949	949	949	949	9,300	9,350	1,399	1,399	1,399	1,399	12,300	12,350	1,849	1,849	1,849	1,849
6,350	6,400	956	956	956	956	9,350	9,400	1,406	1,406	1,406	1,406	12,350	12,400	1,856	1,856	1,856	1,856
6,400	6,450	964	964	964	964	9,400	9,450	1,414	1,414	1,414	1,414	12,400	12,450	1,864	1,864	1,864	1,864
6,450	6,500	971	971	971	971	9,450	9,500	1,421	1,421	1,421	1,421	12,450	12,500	1,871	1,871	1,871	1,871
6,500	6,550	979	979	979	979	9,500	9,550	1,429	1,429	1,429	1,429	12,500	12,550	1,879	1,879	1,879	1,879
6,550	6,600	986	986	986	986	9,550	9,600	1,436	1,436	1,436	1,436	12,550	12,600	1,886	1,886	1,886	1,886
6,600	6,650	994	994	994	994	9,600	9,650	1,444	1,444	1,444	1,444	12,600	12,650	1,894	1,894	1,894	1,894
6,650	6,700	1,001	1,001	1,001	1,001	9,650	9,700	1,451	1,451	1,451	1,451	12,650	12,700	1,901	1,901	1,901	1,901
6,700	6,750	1,009	1,009	1,009	1,009	9,700	9,750	1,459	1,459	1,459	1,459	12,700	12,750	1,909	1,909	1,909	1,909
6,750	6,800	1,016	1,016	1,016	1,016	9,750	9,800	1,466	1,466	1,466	1,466	12,750	12,800	1,916	1,916	1,916	1,916
6,800	6,850	1,024	1,024	1,024	1,024	9,800	9,850	1,474	1,474	1,474	1,474	12,800	12,850	1,924	1,924	1,924	1,924
6,850	6,900	1,031	1,031	1,031	1,031	9,850	9,900	1,481	1,481	1,481	1,481	12,850	12,900	1,931	1,931	1,931	1,931
6,900	6,950	1,039	1,039	1,039	1,039	9,900	9,950	1,489	1,489	1,489	1,489	12,900	12,950	1,939	1,939	1,939	1,939
6,950	7,000	1,046	1,046	1,046	1,046	9,950	10,000	1,496	1,496	1,496	1,496	12,950	13,000	1,946	1,946	1,946	1,946
7,000						10,000						13,000					
7,000	7,050	1,054	1,054	1,054	1,054	10,000	10,050	1,504	1,504	1,504	1,504	13,000	13,050	1,954	1,954	1,954	1,954
7,050	7,100	1,061	1,061	1,061	1,061	10,050	10,100	1,511	1,511	1,511	1,511	13,050	13,100	1,961	1,961	1,961	1,961
7,100	7,150	1,069	1,069	1,069	1,069	10,100	10,150	1,519	1,519	1,519	1,519	13,100	13,150	1,969	1,969	1,969	1,969
7,150	7,200	1,076	1,076	1,076	1,076	10,150	10,200	1,526	1,526	1,526	1,526	13,150	13,200	1,976	1,976	1,976	1,976
7,200	7,250	1,084	1,084	1,084	1,084	10,200	10,250	1,534	1,534	1,534	1,534	13,200	13,250	1,984	1,984	1,984	1,984
7,250	7,300	1,091	1,091	1,091	1,091	10,250	10,300	1,541	1,541	1,541	1,541	13,250	13,300	1,991	1,991	1,991	1,991
7,300	7,350	1,099	1,099	1,099	1,099	10,300	10,350	1,549	1,549	1,549	1,549	13,300	13,350	1,999	1,999	1,999	1,999
7,350	7,400	1,106	1,106	1,106	1,106	10,350	10,400	1,556	1,556	1,556	1,556	13,350	13,400	2,006	2,006	2,006	2,006
7,400	7,450	1,114	1,114	1,114	1,114	10,400	10,450	1,564	1,564	1,564	1,564	13,400	13,450	2,014	2,014	2,014	2,014
7,450	7,500	1,121	1,121	1,121	1,121	10,450	10,500	1,571	1,571	1,571	1,571	13,450	13,500	2,021	2,021	2,021	2,021
7,500	7,550	1,129	1,129	1,129	1,129	10,500	10,550	1,579	1,579	1,579	1,579	13,500	13,550	2,029	2,029	2,029	2,029
7,550	7,600	1,136	1,136	1,136	1,136	10,550	10,600	1,586	1,586	1,586	1,586	13,550	13,600	2,036	2,036	2,036	2,036
7,600	7,650	1,144	1,144	1,144	1,144	10,600	10,650	1,594	1,594	1,594	1,594	13,600	13,650	2,044	2,044	2,044	2,044
7,650	7,700	1,151	1,151	1,151	1,151	10,650	10,700	1,601	1,601	1,601	1,601	13,650	13,700	2,051	2,051	2,051	2,051
7,700	7,750	1,159	1,159	1,159	1,159	10,700	10,750	1,609	1,609	1,609	1,609	13,700	13,750	2,059	2,059	2,059	2,059
7,750	7,800	1,166	1,166	1,166	1,166	10,750	10,800	1,616	1,616	1,616	1,616	13,750	13,800	2,066	2,066	2,066	2,066
7,800	7,850	1,174	1,174	1,174	1,174	10,800	10,850	1,624	1,624	1,624	1,624	13,800	13,850	2,074	2,074	2,074	2,074
7,850	7,900	1,181	1,181	1,181	1,181	10,850	10,900	1,631	1,631	1,631	1,631	13,850	13,900	2,081	2,081	2,081	2,081
7,900	7,950	1,189	1,189	1,189	1,189	10,900	10,950	1,639	1,639	1,639	1,639	13,900	13,950	2,089	2,089	2,089	2,089
7,950	8,000	1,196	1,196	1,196	1,196	10,950	11,000	1,646	1,646	1,646	1,646	13,950	14,000	2,096	2,096	2,096	2,096

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

Continued on next page

1994 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—			
14,000						17,000						20,000					
14,000	14,050	2,104	2,104	2,104	2,104	17,000	17,050	2,554	2,554	2,554	2,554	20,000	20,050	3,004	3,004	3,137	3,004
14,050	14,100	2,111	2,111	2,111	2,111	17,050	17,100	2,561	2,561	2,561	2,561	20,050	20,100	3,011	3,011	3,151	3,011
14,100	14,150	2,119	2,119	2,119	2,119	17,100	17,150	2,569	2,569	2,569	2,569	20,100	20,150	3,019	3,019	3,165	3,019
14,150	14,200	2,126	2,126	2,126	2,126	17,150	17,200	2,576	2,576	2,576	2,576	20,150	20,200	3,026	3,026	3,179	3,026
14,200	14,250	2,134	2,134	2,134	2,134	17,200	17,250	2,584	2,584	2,584	2,584	20,200	20,250	3,034	3,034	3,193	3,034
14,250	14,300	2,141	2,141	2,141	2,141	17,250	17,300	2,591	2,591	2,591	2,591	20,250	20,300	3,041	3,041	3,207	3,041
14,300	14,350	2,149	2,149	2,149	2,149	17,300	17,350	2,599	2,599	2,599	2,599	20,300	20,350	3,049	3,049	3,221	3,049
14,350	14,400	2,156	2,156	2,156	2,156	17,350	17,400	2,606	2,606	2,606	2,606	20,350	20,400	3,056	3,056	3,235	3,056
14,400	14,450	2,164	2,164	2,164	2,164	17,400	17,450	2,614	2,614	2,614	2,614	20,400	20,450	3,064	3,064	3,249	3,064
14,450	14,500	2,171	2,171	2,171	2,171	17,450	17,500	2,621	2,621	2,621	2,621	20,450	20,500	3,071	3,071	3,263	3,071
14,500	14,550	2,179	2,179	2,179	2,179	17,500	17,550	2,629	2,629	2,629	2,629	20,500	20,550	3,079	3,079	3,277	3,079
14,550	14,600	2,186	2,186	2,186	2,186	17,550	17,600	2,636	2,636	2,636	2,636	20,550	20,600	3,086	3,086	3,291	3,086
14,600	14,650	2,194	2,194	2,194	2,194	17,600	17,650	2,644	2,644	2,644	2,644	20,600	20,650	3,094	3,094	3,305	3,094
14,650	14,700	2,201	2,201	2,201	2,201	17,650	17,700	2,651	2,651	2,651	2,651	20,650	20,700	3,101	3,101	3,319	3,101
14,700	14,750	2,209	2,209	2,209	2,209	17,700	17,750	2,659	2,659	2,659	2,659	20,700	20,750	3,109	3,109	3,333	3,109
14,750	14,800	2,216	2,216	2,216	2,216	17,750	17,800	2,666	2,666	2,666	2,666	20,750	20,800	3,116	3,116	3,347	3,116
14,800	14,850	2,224	2,224	2,224	2,224	17,800	17,850	2,674	2,674	2,674	2,674	20,800	20,850	3,124	3,124	3,361	3,124
14,850	14,900	2,231	2,231	2,231	2,231	17,850	17,900	2,681	2,681	2,681	2,681	20,850	20,900	3,131	3,131	3,375	3,131
14,900	14,950	2,239	2,239	2,239	2,239	17,900	17,950	2,689	2,689	2,689	2,689	20,900	20,950	3,139	3,139	3,389	3,139
14,950	15,000	2,246	2,246	2,246	2,246	17,950	18,000	2,696	2,696	2,696	2,696	20,950	21,000	3,146	3,146	3,403	3,146
15,000						18,000						21,000					
15,000	15,050	2,254	2,254	2,254	2,254	18,000	18,050	2,704	2,704	2,704	2,704	21,000	21,050	3,154	3,154	3,417	3,154
15,050	15,100	2,261	2,261	2,261	2,261	18,050	18,100	2,711	2,711	2,711	2,711	21,050	21,100	3,161	3,161	3,431	3,161
15,100	15,150	2,269	2,269	2,269	2,269	18,100	18,150	2,719	2,719	2,719	2,719	21,100	21,150	3,169	3,169	3,445	3,169
15,150	15,200	2,276	2,276	2,276	2,276	18,150	18,200	2,726	2,726	2,726	2,726	21,150	21,200	3,176	3,176	3,459	3,176
15,200	15,250	2,284	2,284	2,284	2,284	18,200	18,250	2,734	2,734	2,734	2,734	21,200	21,250	3,184	3,184	3,473	3,184
15,250	15,300	2,291	2,291	2,291	2,291	18,250	18,300	2,741	2,741	2,741	2,741	21,250	21,300	3,191	3,191	3,487	3,191
15,300	15,350	2,299	2,299	2,299	2,299	18,300	18,350	2,749	2,749	2,749	2,749	21,300	21,350	3,199	3,199	3,501	3,199
15,350	15,400	2,306	2,306	2,306	2,306	18,350	18,400	2,756	2,756	2,756	2,756	21,350	21,400	3,206	3,206	3,515	3,206
15,400	15,450	2,314	2,314	2,314	2,314	18,400	18,450	2,764	2,764	2,764	2,764	21,400	21,450	3,214	3,214	3,529	3,214
15,450	15,500	2,321	2,321	2,321	2,321	18,450	18,500	2,771	2,771	2,771	2,771	21,450	21,500	3,221	3,221	3,543	3,221
15,500	15,550	2,329	2,329	2,329	2,329	18,500	18,550	2,779	2,779	2,779	2,779	21,500	21,550	3,229	3,229	3,557	3,229
15,550	15,600	2,336	2,336	2,336	2,336	18,550	18,600	2,786	2,786	2,786	2,786	21,550	21,600	3,236	3,236	3,571	3,236
15,600	15,650	2,344	2,344	2,344	2,344	18,600	18,650	2,794	2,794	2,794	2,794	21,600	21,650	3,244	3,244	3,585	3,244
15,650	15,700	2,351	2,351	2,351	2,351	18,650	18,700	2,801	2,801	2,801	2,801	21,650	21,700	3,251	3,251	3,599	3,251
15,700	15,750	2,359	2,359	2,359	2,359	18,700	18,750	2,809	2,809	2,809	2,809	21,700	21,750	3,259	3,259	3,613	3,259
15,750	15,800	2,366	2,366	2,366	2,366	18,750	18,800	2,816	2,816	2,816	2,816	21,750	21,800	3,266	3,266	3,627	3,266
15,800	15,850	2,374	2,374	2,374	2,374	18,800	18,850	2,824	2,824	2,824	2,824	21,800	21,850	3,274	3,274	3,641	3,274
15,850	15,900	2,381	2,381	2,381	2,381	18,850	18,900	2,831	2,831	2,831	2,831	21,850	21,900	3,281	3,281	3,655	3,281
15,900	15,950	2,389	2,389	2,389	2,389	18,900	18,950	2,839	2,839	2,839	2,839	21,900	21,950	3,289	3,289	3,669	3,289
15,950	16,000	2,396	2,396	2,396	2,396	18,950	19,000	2,846	2,846	2,846	2,846	21,950	22,000	3,296	3,296	3,683	3,296
16,000						19,000						22,000					
16,000	16,050	2,404	2,404	2,404	2,404	19,000	19,050	2,854	2,854	2,857	2,854	22,000	22,050	3,304	3,304	3,697	3,304
16,050	16,100	2,411	2,411	2,411	2,411	19,050	19,100	2,861	2,861	2,871	2,861	22,050	22,100	3,311	3,311	3,711	3,311
16,100	16,150	2,419	2,419	2,419	2,419	19,100	19,150	2,869	2,869	2,885	2,869	22,100	22,150	3,319	3,319	3,725	3,319
16,150	16,200	2,426	2,426	2,426	2,426	19,150	19,200	2,876	2,876	2,899	2,876	22,150	22,200	3,326	3,326	3,739	3,326
16,200	16,250	2,434	2,434	2,434	2,434	19,200	19,250	2,884	2,884	2,913	2,884	22,200	22,250	3,334	3,334	3,753	3,334
16,250	16,300	2,441	2,441	2,441	2,441	19,250	19,300	2,891	2,891	2,927	2,891	22,250	22,300	3,341	3,341	3,767	3,341
16,300	16,350	2,449	2,449	2,449	2,449	19,300	19,350	2,899	2,899	2,941	2,899	22,300	22,350	3,349	3,349	3,781	3,349
16,350	16,400	2,456	2,456	2,456	2,456	19,350	19,400	2,906	2,906	2,955	2,906	22,350	22,400	3,356	3,356	3,795	3,356
16,400	16,450	2,464	2,464	2,464	2,464	19,400	19,450	2,914	2,914	2,969	2,914	22,400	22,450	3,364	3,364	3,809	3,364
16,450	16,500	2,471	2,471	2,471	2,471	19,450	19,500	2,921	2,921	2,983	2,921	22,450	22,500	3,371	3,371	3,823	3,371
16,500	16,550	2,479	2,479	2,479	2,479	19,500	19,550	2,929	2,929	2,997	2,929	22,500	22,550	3,379	3,379	3,837	3,379
16,550	16,600	2,486	2,486	2,486	2,486	19,550	19,600	2,936	2,936	3,011	2,936	22,550	22,600	3,386	3,386	3,851	3,386
16,600	16,650	2,494	2,494	2,494	2,494	19,600	19,650	2,944	2,944	3,025	2,944	22,600	22,650	3,394	3,394	3,865	3,394
16,650	16,700	2,501	2,501	2,501	2,501	19,650	19,700	2,951	2,951	3,039	2,951	22,650	22,700	3,401	3,401	3,879	3,401
16,700	16,750	2,509	2,509	2,509	2,509	19,700	19,750	2,959	2,959	3,053	2,959	22,700	22,750	3,409	3,409	3,893	3,409
16,750	16,800	2,516	2,516	2,516	2,516	19,750	19,800	2,966	2,966	3,067	2,966	22,750	22,800	3,420	3,416	3,907	3,416
16,800	16,850	2,524	2,524	2,524	2,524	19,800	19,850	2,974	2,974	3,081	2,974	22,800	22,850	3,434	3,424	3,921	3,424
16,850	16,900	2,531	2,531	2,531	2,531	19,850	19,900	2,981	2,981	3,095	2,981	22,850	22,900	3,448	3,431	3,935	3,431
16,900	16,950	2,539	2,539	2,539	2,539	19,900	19,950	2,989	2,989	3,109	2,989	22,900	22,950	3,462	3,439	3,949	3,439
16,950	17,000	2,546	2,546	2,546	2,546	19,950	20,000	2,996	2,996	3,123							

1994 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—			
		Single	Married filing jointly *	Married filing separately	Head of a house- hold			Single	Married filing jointly *	Married filing separately	Head of a house- hold			Single	Married filing jointly *	Married filing separately	Head of a house- hold
		Your tax is—						Your tax is—						Your tax is—			
23,000						26,000						29,000					
23,000	23,050	3,490	3,454	3,977	3,454	26,000	26,050	4,330	3,904	4,817	3,904	29,000	29,050	5,170	4,354	5,657	4,354
23,050	23,100	3,504	3,461	3,991	3,461	26,050	26,100	4,344	3,911	4,831	3,911	29,050	29,100	5,184	4,361	5,671	4,361
23,100	23,150	3,518	3,469	4,005	3,469	26,100	26,150	4,358	3,919	4,845	3,919	29,100	29,150	5,198	4,369	5,685	4,369
23,150	23,200	3,532	3,476	4,019	3,476	26,150	26,200	4,372	3,926	4,859	3,926	29,150	29,200	5,212	4,376	5,699	4,376
23,200	23,250	3,546	3,484	4,033	3,484	26,200	26,250	4,386	3,934	4,873	3,934	29,200	29,250	5,226	4,384	5,713	4,384
23,250	23,300	3,560	3,491	4,047	3,491	26,250	26,300	4,400	3,941	4,887	3,941	29,250	29,300	5,240	4,391	5,727	4,391
23,300	23,350	3,574	3,499	4,061	3,499	26,300	26,350	4,414	3,949	4,901	3,949	29,300	29,350	5,254	4,399	5,741	4,399
23,350	23,400	3,588	3,506	4,075	3,506	26,350	26,400	4,428	3,956	4,915	3,956	29,350	29,400	5,268	4,406	5,755	4,406
23,400	23,450	3,602	3,514	4,089	3,514	26,400	26,450	4,442	3,964	4,929	3,964	29,400	29,450	5,282	4,414	5,769	4,414
23,450	23,500	3,616	3,521	4,103	3,521	26,450	26,500	4,456	3,971	4,943	3,971	29,450	29,500	5,296	4,421	5,783	4,421
23,500	23,550	3,630	3,529	4,117	3,529	26,500	26,550	4,470	3,979	4,957	3,979	29,500	29,550	5,310	4,429	5,797	4,429
23,550	23,600	3,644	3,536	4,131	3,536	26,550	26,600	4,484	3,986	4,971	3,986	29,550	29,600	5,324	4,436	5,811	4,436
23,600	23,650	3,658	3,544	4,145	3,544	26,600	26,650	4,498	3,994	4,985	3,994	29,600	29,650	5,338	4,444	5,825	4,444
23,650	23,700	3,672	3,551	4,159	3,551	26,650	26,700	4,512	4,001	4,999	4,001	29,650	29,700	5,352	4,451	5,839	4,451
23,700	23,750	3,686	3,559	4,173	3,559	26,700	26,750	4,526	4,009	5,013	4,009	29,700	29,750	5,366	4,459	5,853	4,459
23,750	23,800	3,700	3,566	4,187	3,566	26,750	26,800	4,540	4,016	5,027	4,016	29,750	29,800	5,380	4,466	5,867	4,466
23,800	23,850	3,714	3,574	4,201	3,574	26,800	26,850	4,554	4,024	5,041	4,024	29,800	29,850	5,394	4,474	5,881	4,474
23,850	23,900	3,728	3,581	4,215	3,581	26,850	26,900	4,568	4,031	5,055	4,031	29,850	29,900	5,408	4,481	5,895	4,481
23,900	23,950	3,742	3,589	4,229	3,589	26,900	26,950	4,582	4,039	5,069	4,039	29,900	29,950	5,422	4,489	5,909	4,489
23,950	24,000	3,756	3,596	4,243	3,596	26,950	27,000	4,596	4,046	5,083	4,046	29,950	30,000	5,436	4,496	5,923	4,496
24,000						27,000						30,000					
24,000	24,050	3,770	3,604	4,257	3,604	27,000	27,050	4,610	4,054	5,097	4,054	30,000	30,050	5,450	4,504	5,937	4,504
24,050	24,100	3,784	3,611	4,271	3,611	27,050	27,100	4,624	4,061	5,111	4,061	30,050	30,100	5,464	4,511	5,951	4,511
24,100	24,150	3,798	3,619	4,285	3,619	27,100	27,150	4,638	4,069	5,125	4,069	30,100	30,150	5,478	4,519	5,965	4,519
24,150	24,200	3,812	3,626	4,299	3,626	27,150	27,200	4,652	4,076	5,139	4,076	30,150	30,200	5,492	4,526	5,979	4,526
24,200	24,250	3,826	3,634	4,313	3,634	27,200	27,250	4,666	4,084	5,153	4,084	30,200	30,250	5,506	4,534	5,993	4,534
24,250	24,300	3,840	3,641	4,327	3,641	27,250	27,300	4,680	4,091	5,167	4,091	30,250	30,300	5,520	4,541	6,007	4,541
24,300	24,350	3,854	3,649	4,341	3,649	27,300	27,350	4,694	4,099	5,181	4,099	30,300	30,350	5,534	4,549	6,021	4,549
24,350	24,400	3,868	3,656	4,355	3,656	27,350	27,400	4,708	4,106	5,195	4,106	30,350	30,400	5,548	4,556	6,035	4,556
24,400	24,450	3,882	3,664	4,369	3,664	27,400	27,450	4,722	4,114	5,209	4,114	30,400	30,450	5,562	4,564	6,049	4,564
24,450	24,500	3,896	3,671	4,383	3,671	27,450	27,500	4,736	4,121	5,223	4,121	30,450	30,500	5,576	4,571	6,063	4,571
24,500	24,550	3,910	3,679	4,397	3,679	27,500	27,550	4,750	4,129	5,237	4,129	30,500	30,550	5,590	4,579	6,077	4,582
24,550	24,600	3,924	3,686	4,411	3,686	27,550	27,600	4,764	4,136	5,251	4,136	30,550	30,600	5,604	4,586	6,091	4,596
24,600	24,650	3,938	3,694	4,425	3,694	27,600	27,650	4,778	4,144	5,265	4,144	30,600	30,650	5,618	4,594	6,105	4,610
24,650	24,700	3,952	3,701	4,439	3,701	27,650	27,700	4,792	4,151	5,279	4,151	30,650	30,700	5,632	4,601	6,119	4,624
24,700	24,750	3,966	3,709	4,453	3,709	27,700	27,750	4,806	4,159	5,293	4,159	30,700	30,750	5,646	4,609	6,133	4,638
24,750	24,800	3,980	3,716	4,467	3,716	27,750	27,800	4,820	4,166	5,307	4,166	30,750	30,800	5,660	4,616	6,147	4,652
24,800	24,850	3,994	3,724	4,481	3,724	27,800	27,850	4,834	4,174	5,321	4,174	30,800	30,850	5,674	4,624	6,161	4,666
24,850	24,900	4,008	3,731	4,495	3,731	27,850	27,900	4,848	4,181	5,335	4,181	30,850	30,900	5,688	4,631	6,175	4,680
24,900	24,950	4,022	3,739	4,509	3,739	27,900	27,950	4,862	4,189	5,349	4,189	30,900	30,950	5,702	4,639	6,189	4,694
24,950	25,000	4,036	3,746	4,523	3,746	27,950	28,000	4,876	4,196	5,363	4,196	30,950	31,000	5,716	4,646	6,203	4,708
25,000						28,000						31,000					
25,000	25,050	4,050	3,754	4,537	3,754	28,000	28,050	4,890	4,204	5,377	4,204	31,000	31,050	5,730	4,654	6,217	4,722
25,050	25,100	4,064	3,761	4,551	3,761	28,050	28,100	4,904	4,211	5,391	4,211	31,050	31,100	5,744	4,661	6,231	4,736
25,100	25,150	4,078	3,769	4,565	3,769	28,100	28,150	4,918	4,219	5,405	4,219	31,100	31,150	5,758	4,669	6,245	4,750
25,150	25,200	4,092	3,776	4,579	3,776	28,150	28,200	4,932	4,226	5,419	4,226	31,150	31,200	5,772	4,676	6,259	4,764
25,200	25,250	4,106	3,784	4,593	3,784	28,200	28,250	4,946	4,234	5,433	4,234	31,200	31,250	5,786	4,684	6,273	4,778
25,250	25,300	4,120	3,791	4,607	3,791	28,250	28,300	4,960	4,241	5,447	4,241	31,250	31,300	5,800	4,691	6,287	4,792
25,300	25,350	4,134	3,799	4,621	3,799	28,300	28,350	4,974	4,249	5,461	4,249	31,300	31,350	5,814	4,699	6,301	4,806
25,350	25,400	4,148	3,806	4,635	3,806	28,350	28,400	4,988	4,256	5,475	4,256	31,350	31,400	5,828	4,706	6,315	4,820
25,400	25,450	4,162	3,814	4,649	3,814	28,400	28,450	5,002	4,264	5,489	4,264	31,400	31,450	5,842	4,714	6,329	4,834
25,450	25,500	4,176	3,821	4,663	3,821	28,450	28,500	5,016	4,271	5,503	4,271	31,450	31,500	5,856	4,721	6,343	4,848
25,500	25,550	4,190	3,829	4,677	3,829	28,500	28,550	5,030	4,279	5,517	4,279	31,500	31,550	5,870	4,729	6,357	4,862
25,550	25,600	4,204	3,836	4,691	3,836	28,550	28,600	5,044	4,286	5,531	4,286	31,550	31,600	5,884	4,736	6,371	4,876
25,600	25,650	4,218	3,844	4,705	3,844	28,600	28,650	5,058	4,294	5,545	4,294	31,600	31,650	5,898	4,744	6,385	4,890
25,650	25,700	4,232	3,851	4,719	3,851	28,650	28,700	5,072	4,301	5,559	4,301	31,650	31,700	5,912	4,751	6,399	4,904
25,700	25,750	4,246	3,859	4,733	3,859	28,700	28,750	5,086	4,309	5,573	4,309	31,700	31,750	5,926	4,759	6,413	4,918
25,750	25,800	4,260	3,866	4,747	3,866	28,750	28,800	5,100	4,316	5,587	4,316	31,750	31,800	5,940	4,766	6,427	4,932
25,800	25,850	4,274	3,874	4,761	3,874	28,800	28,850	5,114	4,324	5,601	4,324	31,800	31,850	5,954	4,774	6,441	4,946
25,850	25,900	4,288	3,881	4,775	3,881	28,850	28,900	5,128	4,331	5,615	4,331	31,850	31,900	5,968	4,781	6,455	4,960
25,900	25,950	4,302	3,889	4,789	3,889	28,900	28,950	5,142	4,339	5,629	4,339	31,900	31,950	5,982	4,789	6,469	4,974
25,950	26,000	4,316	3,896	4,803	3,896	28,95											

1994 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 house- hold	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a house- hold	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a house- hold
		Your tax is—						Your tax is—						Your tax is—			
32,000						35,000						38,000					
32,000	32,050	6,010	4,804	6,497	5,002	35,000	35,050	6,850	5,254	7,337	5,842	38,000	38,050	7,690	5,707	8,177	6,682
32,050	32,100	6,024	4,811	6,511	5,016	35,050	35,100	6,864	5,261	7,351	5,856	38,050	38,100	7,704	5,721	8,191	6,696
32,100	32,150	6,038	4,819	6,525	5,030	35,100	35,150	6,878	5,269	7,365	5,870	38,100	38,150	7,718	5,735	8,205	6,710
32,150	32,200	6,052	4,826	6,539	5,044	35,150	35,200	6,892	5,276	7,379	5,884	38,150	38,200	7,732	5,749	8,219	6,724
32,200	32,250	6,066	4,834	6,553	5,058	35,200	35,250	6,906	5,284	7,393	5,898	38,200	38,250	7,746	5,763	8,233	6,738
32,250	32,300	6,080	4,841	6,567	5,072	35,250	35,300	6,920	5,291	7,407	5,912	38,250	38,300	7,760	5,777	8,247	6,752
32,300	32,350	6,094	4,849	6,581	5,086	35,300	35,350	6,934	5,299	7,421	5,926	38,300	38,350	7,774	5,791	8,261	6,766
32,350	32,400	6,108	4,856	6,595	5,100	35,350	35,400	6,948	5,306	7,435	5,940	38,350	38,400	7,788	5,805	8,275	6,780
32,400	32,450	6,122	4,864	6,609	5,114	35,400	35,450	6,962	5,314	7,449	5,954	38,400	38,450	7,802	5,819	8,289	6,794
32,450	32,500	6,136	4,871	6,623	5,128	35,450	35,500	6,976	5,321	7,463	5,968	38,450	38,500	7,816	5,833	8,303	6,808
32,500	32,550	6,150	4,879	6,637	5,142	35,500	35,550	6,990	5,329	7,477	5,982	38,500	38,550	7,830	5,847	8,317	6,822
32,550	32,600	6,164	4,886	6,651	5,156	35,550	35,600	7,004	5,336	7,491	5,996	38,550	38,600	7,844	5,861	8,331	6,836
32,600	32,650	6,178	4,894	6,665	5,170	35,600	35,650	7,018	5,344	7,505	6,010	38,600	38,650	7,858	5,875	8,345	6,850
32,650	32,700	6,192	4,901	6,679	5,184	35,650	35,700	7,032	5,351	7,519	6,024	38,650	38,700	7,872	5,889	8,359	6,864
32,700	32,750	6,206	4,909	6,693	5,198	35,700	35,750	7,046	5,359	7,533	6,038	38,700	38,750	7,886	5,903	8,373	6,878
32,750	32,800	6,220	4,916	6,707	5,212	35,750	35,800	7,060	5,366	7,547	6,052	38,750	38,800	7,900	5,917	8,387	6,892
32,800	32,850	6,234	4,924	6,721	5,226	35,800	35,850	7,074	5,374	7,561	6,066	38,800	38,850	7,914	5,931	8,401	6,906
32,850	32,900	6,248	4,931	6,735	5,240	35,850	35,900	7,088	5,381	7,575	6,080	38,850	38,900	7,928	5,945	8,415	6,920
32,900	32,950	6,262	4,939	6,749	5,254	35,900	35,950	7,102	5,389	7,589	6,094	38,900	38,950	7,942	5,959	8,429	6,934
32,950	33,000	6,276	4,946	6,763	5,268	35,950	36,000	7,116	5,396	7,603	6,108	38,950	39,000	7,956	5,973	8,443	6,948
33,000						36,000						39,000					
33,000	33,050	6,290	4,954	6,777	5,282	36,000	36,050	7,130	5,404	7,617	6,122	39,000	39,050	7,970	5,987	8,457	6,962
33,050	33,100	6,304	4,961	6,791	5,296	36,050	36,100	7,144	5,411	7,631	6,136	39,050	39,100	7,984	6,001	8,471	6,976
33,100	33,150	6,318	4,969	6,805	5,310	36,100	36,150	7,158	5,419	7,645	6,150	39,100	39,150	7,998	6,015	8,485	6,990
33,150	33,200	6,332	4,976	6,819	5,324	36,150	36,200	7,172	5,426	7,659	6,164	39,150	39,200	8,012	6,029	8,499	7,004
33,200	33,250	6,346	4,984	6,833	5,338	36,200	36,250	7,186	5,434	7,673	6,178	39,200	39,250	8,026	6,043	8,513	7,018
33,250	33,300	6,360	4,991	6,847	5,352	36,250	36,300	7,200	5,441	7,687	6,192	39,250	39,300	8,040	6,057	8,527	7,032
33,300	33,350	6,374	4,999	6,861	5,366	36,300	36,350	7,214	5,449	7,701	6,206	39,300	39,350	8,054	6,071	8,541	7,046
33,350	33,400	6,388	5,006	6,875	5,380	36,350	36,400	7,228	5,456	7,715	6,220	39,350	39,400	8,068	6,085	8,555	7,060
33,400	33,450	6,402	5,014	6,889	5,394	36,400	36,450	7,242	5,464	7,729	6,234	39,400	39,450	8,082	6,099	8,569	7,074
33,450	33,500	6,416	5,021	6,903	5,408	36,450	36,500	7,256	5,471	7,743	6,248	39,450	39,500	8,096	6,113	8,583	7,088
33,500	33,550	6,430	5,029	6,917	5,422	36,500	36,550	7,270	5,479	7,757	6,262	39,500	39,550	8,110	6,127	8,597	7,102
33,550	33,600	6,444	5,036	6,931	5,436	36,550	36,600	7,284	5,486	7,771	6,276	39,550	39,600	8,124	6,141	8,611	7,116
33,600	33,650	6,458	5,044	6,945	5,450	36,600	36,650	7,298	5,494	7,785	6,290	39,600	39,650	8,138	6,155	8,625	7,130
33,650	33,700	6,472	5,051	6,959	5,464	36,650	36,700	7,312	5,501	7,799	6,304	39,650	39,700	8,152	6,169	8,639	7,144
33,700	33,750	6,486	5,059	6,973	5,478	36,700	36,750	7,326	5,509	7,813	6,318	39,700	39,750	8,166	6,183	8,653	7,158
33,750	33,800	6,500	5,066	6,987	5,492	36,750	36,800	7,340	5,516	7,827	6,332	39,750	39,800	8,180	6,197	8,667	7,172
33,800	33,850	6,514	5,074	7,001	5,506	36,800	36,850	7,354	5,524	7,841	6,346	39,800	39,850	8,194	6,211	8,681	7,186
33,850	33,900	6,528	5,081	7,015	5,520	36,850	36,900	7,368	5,531	7,855	6,360	39,850	39,900	8,208	6,225	8,695	7,200
33,900	33,950	6,542	5,089	7,029	5,534	36,900	36,950	7,382	5,539	7,869	6,374	39,900	39,950	8,222	6,239	8,709	7,214
33,950	34,000	6,556	5,096	7,043	5,548	36,950	37,000	7,396	5,546	7,883	6,388	39,950	40,000	8,236	6,253	8,723	7,228
34,000						37,000						40,000					
34,000	34,050	6,570	5,104	7,057	5,562	37,000	37,050	7,410	5,554	7,897	6,402	40,000	40,050	8,250	6,267	8,737	7,242
34,050	34,100	6,584	5,111	7,071	5,576	37,050	37,100	7,424	5,561	7,911	6,416	40,050	40,100	8,264	6,281	8,751	7,256
34,100	34,150	6,598	5,119	7,085	5,590	37,100	37,150	7,438	5,569	7,925	6,430	40,100	40,150	8,278	6,295	8,765	7,270
34,150	34,200	6,612	5,126	7,099	5,604	37,150	37,200	7,452	5,576	7,939	6,444	40,150	40,200	8,292	6,309	8,779	7,284
34,200	34,250	6,626	5,134	7,113	5,618	37,200	37,250	7,466	5,584	7,953	6,458	40,200	40,250	8,306	6,323	8,793	7,298
34,250	34,300	6,640	5,141	7,127	5,632	37,250	37,300	7,480	5,591	7,967	6,472	40,250	40,300	8,320	6,337	8,807	7,312
34,300	34,350	6,654	5,149	7,141	5,646	37,300	37,350	7,494	5,599	7,981	6,486	40,300	40,350	8,334	6,351	8,821	7,326
34,350	34,400	6,668	5,156	7,155	5,660	37,350	37,400	7,508	5,606	7,995	6,500	40,350	40,400	8,348	6,365	8,835	7,340
34,400	34,450	6,682	5,164	7,169	5,674	37,400	37,450	7,522	5,614	8,009	6,514	40,400	40,450	8,362	6,379	8,849	7,354
34,450	34,500	6,696	5,171	7,183	5,688	37,450	37,500	7,536	5,621	8,023	6,528	40,450	40,500	8,376	6,393	8,863	7,368
34,500	34,550	6,710	5,179	7,197	5,702	37,500	37,550	7,550	5,629	8,037	6,542	40,500	40,550	8,390	6,407	8,877	7,382
34,550	34,600	6,724	5,186	7,211	5,716	37,550	37,600	7,564	5,636	8,051	6,556	40,550	40,600	8,404	6,421	8,891	7,396
34,600	34,650	6,738	5,194	7,225	5,730	37,600	37,650	7,578	5,644	8,065	6,570	40,600	40,650	8,418	6,435	8,905	7,410
34,650	34,700	6,752	5,201	7,239	5,744	37,650	37,700	7,592	5,651	8,079	6,584	40,650	40,700	8,432	6,449	8,919	7,424
34,700	34,750	6,766	5,209	7,253	5,758	37,700	37,750	7,606	5,659	8,093	6,598	40,700	40,750	8,446	6,463	8,933	7,438
34,750	34,800	6,780	5,216	7,267	5,772	37,750	37,800	7,620	5,666	8,107	6,612	40,750	40,800	8,460	6,477	8,947	7,452
34,800	34,850	6,794	5,224	7,281	5,786	37,800	37,850	7,634	5,674	8,121	6,626	40,800	40,850	8,474	6,491	8,961	7,466
34,850	34,900	6,808	5,231	7,295	5,800	37,850	37,900	7,648	5,681	8,135	6,640	40,850	40,900	8,488	6,505	8,975	7,480
34,900	34,950	6,822	5,239	7,309	5,814	37,900	37,950	7,662	5,689	8,149	6,654	40,900	40,950	8,502	6,519	8,989	7,494
34,950																	

1994 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 sepa- rately	Head of a house- hold	At least	But less than	Single	Married filing jointly *	Married filing sepa- rately	Head of a house- hold	At least	But less than	Single	Married filing jointly *	Married filing sepa- rately	Head of a house- hold
		Your tax is—						Your tax is—						Your tax is—			
41,000						44,000						47,000					
41,000	41,050	8,530	6,547	9,017	7,522	44,000	44,050	9,370	7,387	9,857	8,362	47,000	47,050	10,210	8,227	10,730	9,202
41,050	41,100	8,544	6,561	9,031	7,536	44,050	44,100	9,384	7,401	9,871	8,376	47,050	47,100	10,224	8,241	10,746	9,216
41,100	41,150	8,558	6,575	9,045	7,550	44,100	44,150	9,398	7,415	9,885	8,390	47,100	47,150	10,238	8,255	10,761	9,230
41,150	41,200	8,572	6,589	9,059	7,564	44,150	44,200	9,412	7,429	9,899	8,404	47,150	47,200	10,252	8,269	10,777	9,244
41,200	41,250	8,586	6,603	9,073	7,578	44,200	44,250	9,426	7,443	9,913	8,418	47,200	47,250	10,266	8,283	10,792	9,258
41,250	41,300	8,600	6,617	9,087	7,592	44,250	44,300	9,440	7,457	9,927	8,432	47,250	47,300	10,280	8,297	10,808	9,272
41,300	41,350	8,614	6,631	9,101	7,606	44,300	44,350	9,454	7,471	9,941	8,446	47,300	47,350	10,294	8,311	10,823	9,286
41,350	41,400	8,628	6,645	9,115	7,620	44,350	44,400	9,468	7,485	9,955	8,460	47,350	47,400	10,308	8,325	10,839	9,300
41,400	41,450	8,642	6,659	9,129	7,634	44,400	44,450	9,482	7,499	9,969	8,474	47,400	47,450	10,322	8,339	10,854	9,314
41,450	41,500	8,656	6,673	9,143	7,648	44,450	44,500	9,496	7,513	9,983	8,488	47,450	47,500	10,336	8,353	10,870	9,328
41,500	41,550	8,670	6,687	9,157	7,662	44,500	44,550	9,510	7,527	9,997	8,502	47,500	47,550	10,350	8,367	10,885	9,342
41,550	41,600	8,684	6,701	9,171	7,676	44,550	44,600	9,524	7,541	10,011	8,516	47,550	47,600	10,364	8,381	10,901	9,356
41,600	41,650	8,698	6,715	9,185	7,690	44,600	44,650	9,538	7,555	10,025	8,530	47,600	47,650	10,378	8,395	10,916	9,370
41,650	41,700	8,712	6,729	9,199	7,704	44,650	44,700	9,552	7,569	10,039	8,544	47,650	47,700	10,392	8,409	10,932	9,384
41,700	41,750	8,726	6,743	9,213	7,718	44,700	44,750	9,566	7,583	10,053	8,558	47,700	47,750	10,406	8,423	10,947	9,398
41,750	41,800	8,740	6,757	9,227	7,732	44,750	44,800	9,580	7,597	10,067	8,572	47,750	47,800	10,420	8,437	10,963	9,412
41,800	41,850	8,754	6,771	9,241	7,746	44,800	44,850	9,594	7,611	10,081	8,586	47,800	47,850	10,434	8,451	10,978	9,426
41,850	41,900	8,768	6,785	9,255	7,760	44,850	44,900	9,608	7,625	10,095	8,600	47,850	47,900	10,448	8,465	10,994	9,440
41,900	41,950	8,782	6,799	9,269	7,774	44,900	44,950	9,622	7,639	10,109	8,614	47,900	47,950	10,462	8,479	11,009	9,454
41,950	42,000	8,796	6,813	9,283	7,788	44,950	45,000	9,636	7,653	10,123	8,628	47,950	48,000	10,476	8,493	11,025	9,468
42,000						45,000						48,000					
42,000	42,050	8,810	6,827	9,297	7,802	45,000	45,050	9,650	7,667	10,137	8,642	48,000	48,050	10,490	8,507	11,040	9,482
42,050	42,100	8,824	6,841	9,311	7,816	45,050	45,100	9,664	7,681	10,151	8,656	48,050	48,100	10,504	8,521	11,056	9,496
42,100	42,150	8,838	6,855	9,325	7,830	45,100	45,150	9,678	7,695	10,165	8,670	48,100	48,150	10,518	8,535	11,071	9,510
42,150	42,200	8,852	6,869	9,339	7,844	45,150	45,200	9,692	7,709	10,179	8,684	48,150	48,200	10,532	8,549	11,087	9,524
42,200	42,250	8,866	6,883	9,353	7,858	45,200	45,250	9,706	7,723	10,193	8,698	48,200	48,250	10,546	8,563	11,102	9,538
42,250	42,300	8,880	6,897	9,367	7,872	45,250	45,300	9,720	7,737	10,207	8,712	48,250	48,300	10,560	8,577	11,118	9,552
42,300	42,350	8,894	6,911	9,381	7,886	45,300	45,350	9,734	7,751	10,221	8,726	48,300	48,350	10,574	8,591	11,133	9,566
42,350	42,400	8,908	6,925	9,395	7,900	45,350	45,400	9,748	7,765	10,235	8,740	48,350	48,400	10,588	8,605	11,149	9,580
42,400	42,450	8,922	6,939	9,409	7,914	45,400	45,450	9,762	7,779	10,249	8,754	48,400	48,450	10,602	8,619	11,164	9,594
42,450	42,500	8,936	6,953	9,423	7,928	45,450	45,500	9,776	7,793	10,263	8,768	48,450	48,500	10,616	8,633	11,180	9,608
42,500	42,550	8,950	6,967	9,437	7,942	45,500	45,550	9,790	7,807	10,277	8,782	48,500	48,550	10,630	8,647	11,195	9,622
42,550	42,600	8,964	6,981	9,451	7,956	45,550	45,600	9,804	7,821	10,291	8,796	48,550	48,600	10,644	8,661	11,211	9,636
42,600	42,650	8,978	6,995	9,465	7,970	45,600	45,650	9,818	7,835	10,305	8,810	48,600	48,650	10,658	8,675	11,226	9,650
42,650	42,700	8,992	7,009	9,479	7,984	45,650	45,700	9,832	7,849	10,319	8,824	48,650	48,700	10,672	8,689	11,242	9,664
42,700	42,750	9,006	7,023	9,493	7,998	45,700	45,750	9,846	7,863	10,333	8,838	48,700	48,750	10,686	8,703	11,257	9,678
42,750	42,800	9,020	7,037	9,507	8,012	45,750	45,800	9,860	7,877	10,347	8,852	48,750	48,800	10,700	8,717	11,273	9,692
42,800	42,850	9,034	7,051	9,521	8,026	45,800	45,850	9,874	7,891	10,361	8,866	48,800	48,850	10,714	8,731	11,288	9,706
42,850	42,900	9,048	7,065	9,535	8,040	45,850	45,900	9,888	7,905	10,375	8,880	48,850	48,900	10,728	8,745	11,304	9,720
42,900	42,950	9,062	7,079	9,549	8,054	45,900	45,950	9,902	7,919	10,389	8,894	48,900	48,950	10,742	8,759	11,319	9,734
42,950	43,000	9,076	7,093	9,563	8,068	45,950	46,000	9,916	7,933	10,403	8,908	48,950	49,000	10,756	8,773	11,335	9,748
43,000						46,000						49,000					
43,000	43,050	9,090	7,107	9,577	8,082	46,000	46,050	9,930	7,947	10,417	8,922	49,000	49,050	10,770	8,787	11,350	9,762
43,050	43,100	9,104	7,121	9,591	8,096	46,050	46,100	9,944	7,961	10,431	8,936	49,050	49,100	10,784	8,801	11,366	9,776
43,100	43,150	9,118	7,135	9,605	8,110	46,100	46,150	9,958	7,975	10,445	8,950	49,100	49,150	10,798	8,815	11,381	9,790
43,150	43,200	9,132	7,149	9,619	8,124	46,150	46,200	9,972	7,989	10,459	8,964	49,150	49,200	10,812	8,829	11,397	9,804
43,200	43,250	9,146	7,163	9,633	8,138	46,200	46,250	9,986	8,003	10,473	8,978	49,200	49,250	10,826	8,843	11,412	9,818
43,250	43,300	9,160	7,177	9,647	8,152	46,250	46,300	10,000	8,017	10,487	8,992	49,250	49,300	10,840	8,857	11,428	9,832
43,300	43,350	9,174	7,191	9,661	8,166	46,300	46,350	10,014	8,031	10,501	9,006	49,300	49,350	10,854	8,871	11,443	9,846
43,350	43,400	9,188	7,205	9,675	8,180	46,350	46,400	10,028	8,045	10,515	9,020	49,350	49,400	10,868	8,885	11,459	9,860
43,400	43,450	9,202	7,219	9,689	8,194	46,400	46,450	10,042	8,059	10,529	9,034	49,400	49,450	10,882	8,899	11,474	9,874
43,450	43,500	9,216	7,233	9,703	8,208	46,450	46,500	10,056	8,073	10,543	9,048	49,450	49,500	10,896	8,913	11,490	9,888
43,500	43,550	9,230	7,247	9,717	8,222	46,500	46,550	10,070	8,087	10,557	9,062	49,500	49,550	10,910	8,927	11,505	9,902
43,550	43,600	9,244	7,261	9,731	8,236	46,550	46,600	10,084	8,101	10,571	9,076	49,550	49,600	10,924	8,941	11,521	9,916
43,600	43,650	9,258	7,275	9,745	8,250	46,600	46,650	10,098	8,115	10,585	9,090	49,600	49,650	10,938	8,955	11,536	9,930
43,650	43,700	9,272	7,289	9,759	8,264	46,650	46,700	10,112	8,129	10,599	9,104	49,650	49,700	10,952	8,969	11,552	9,944
43,700	43,750	9,286	7,303	9,773	8,278	46,700	46,750	10,126	8,143	10,613	9,118	49,700	49,750	10,966	8,983	11,567	9,958
43,750	43,800	9,300	7,317	9,787	8,292	46,750	46,800	10,140	8,157	10,627	9,132	49,750	49,800	10,980	8,997	11,583	9,972
43,800	43,850	9,314	7,331	9,801	8,306	46,800	46,850	10,154	8,171	10,641	9,146	49,800	49,850	10,994	9,011	11,598	9,986
43,850	43,900	9,328	7,345	9,815	8,320	46,850	46,900	10,168	8,185	10,655	9,160	49,850	49,900	11,008	9,025	11,614	10,000
43,900	43,9																

1994 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—			
50,000						53,000						56,000					
50,000	50,050	11,050	9,067	11,660	10,042	53,000	53,050	11,890	9,907	12,590	10,882	56,000	56,050	12,757	10,747	13,520	11,722
50,050	50,100	11,064	9,081	11,676	10,056	53,050	53,100	11,904	9,921	12,606	10,896	56,050	56,100	12,773	10,761	13,536	11,736
50,100	50,150	11,078	9,095	11,691	10,070	53,100	53,150	11,918	9,935	12,621	10,910	56,100	56,150	12,788	10,775	13,551	11,750
50,150	50,200	11,092	9,109	11,707	10,084	53,150	53,200	11,932	9,949	12,637	10,924	56,150	56,200	12,804	10,789	13,567	11,764
50,200	50,250	11,106	9,123	11,722	10,098	53,200	53,250	11,946	9,963	12,652	10,938	56,200	56,250	12,819	10,803	13,582	11,778
50,250	50,300	11,120	9,137	11,738	10,112	53,250	53,300	11,960	9,977	12,668	10,952	56,250	56,300	12,835	10,817	13,598	11,792
50,300	50,350	11,134	9,151	11,753	10,126	53,300	53,350	11,974	9,991	12,683	10,966	56,300	56,350	12,850	10,831	13,613	11,806
50,350	50,400	11,148	9,165	11,769	10,140	53,350	53,400	11,988	10,005	12,699	10,980	56,350	56,400	12,866	10,845	13,629	11,820
50,400	50,450	11,162	9,179	11,784	10,154	53,400	53,450	12,002	10,019	12,714	10,994	56,400	56,450	12,881	10,859	13,644	11,834
50,450	50,500	11,176	9,193	11,800	10,168	53,450	53,500	12,016	10,033	12,730	11,008	56,450	56,500	12,897	10,873	13,660	11,848
50,500	50,550	11,190	9,207	11,815	10,182	53,500	53,550	12,030	10,047	12,745	11,022	56,500	56,550	12,912	10,887	13,675	11,862
50,550	50,600	11,204	9,221	11,831	10,196	53,550	53,600	12,044	10,061	12,761	11,036	56,550	56,600	12,928	10,901	13,691	11,876
50,600	50,650	11,218	9,235	11,846	10,210	53,600	53,650	12,058	10,075	12,776	11,050	56,600	56,650	12,943	10,915	13,706	11,890
50,650	50,700	11,232	9,249	11,862	10,224	53,650	53,700	12,072	10,089	12,792	11,064	56,650	56,700	12,959	10,929	13,722	11,904
50,700	50,750	11,246	9,263	11,877	10,238	53,700	53,750	12,086	10,103	12,807	11,078	56,700	56,750	12,974	10,943	13,737	11,918
50,750	50,800	11,260	9,277	11,893	10,252	53,750	53,800	12,100	10,117	12,823	11,092	56,750	56,800	12,990	10,957	13,753	11,932
50,800	50,850	11,274	9,291	11,908	10,266	53,800	53,850	12,114	10,131	12,838	11,106	56,800	56,850	13,005	10,971	13,768	11,946
50,850	50,900	11,288	9,305	11,924	10,280	53,850	53,900	12,128	10,145	12,854	11,120	56,850	56,900	13,021	10,985	13,784	11,960
50,900	50,950	11,302	9,319	11,939	10,294	53,900	53,950	12,142	10,159	12,869	11,134	56,900	56,950	13,036	10,999	13,799	11,974
50,950	51,000	11,316	9,333	11,955	10,308	53,950	54,000	12,156	10,173	12,885	11,148	56,950	57,000	13,052	11,013	13,815	11,988
51,000						54,000						57,000					
51,000	51,050	11,330	9,347	11,970	10,322	54,000	54,050	12,170	10,187	12,900	11,162	57,000	57,050	13,067	11,027	13,830	12,002
51,050	51,100	11,344	9,361	11,986	10,336	54,050	54,100	12,184	10,201	12,916	11,176	57,050	57,100	13,083	11,041	13,846	12,016
51,100	51,150	11,358	9,375	12,001	10,350	54,100	54,150	12,198	10,215	12,931	11,190	57,100	57,150	13,098	11,055	13,861	12,030
51,150	51,200	11,372	9,389	12,017	10,364	54,150	54,200	12,212	10,229	12,947	11,204	57,150	57,200	13,114	11,069	13,877	12,044
51,200	51,250	11,386	9,403	12,032	10,378	54,200	54,250	12,226	10,243	12,962	11,218	57,200	57,250	13,129	11,083	13,892	12,058
51,250	51,300	11,400	9,417	12,048	10,392	54,250	54,300	12,240	10,257	12,978	11,232	57,250	57,300	13,145	11,097	13,908	12,072
51,300	51,350	11,414	9,431	12,063	10,406	54,300	54,350	12,254	10,271	12,993	11,246	57,300	57,350	13,160	11,111	13,923	12,086
51,350	51,400	11,428	9,445	12,079	10,420	54,350	54,400	12,268	10,285	13,009	11,260	57,350	57,400	13,176	11,125	13,939	12,100
51,400	51,450	11,442	9,459	12,094	10,434	54,400	54,450	12,282	10,299	13,024	11,274	57,400	57,450	13,191	11,139	13,954	12,114
51,450	51,500	11,456	9,473	12,110	10,448	54,450	54,500	12,296	10,313	13,040	11,288	57,450	57,500	13,207	11,153	13,970	12,128
51,500	51,550	11,470	9,487	12,125	10,462	54,500	54,550	12,310	10,327	13,055	11,302	57,500	57,550	13,222	11,167	13,985	12,142
51,550	51,600	11,484	9,501	12,141	10,476	54,550	54,600	12,324	10,341	13,071	11,316	57,550	57,600	13,238	11,181	14,001	12,156
51,600	51,650	11,498	9,515	12,156	10,490	54,600	54,650	12,338	10,355	13,086	11,330	57,600	57,650	13,253	11,195	14,016	12,170
51,650	51,700	11,512	9,529	12,172	10,504	54,650	54,700	12,352	10,369	13,102	11,344	57,650	57,700	13,269	11,209	14,032	12,184
51,700	51,750	11,526	9,543	12,187	10,518	54,700	54,750	12,366	10,383	13,117	11,358	57,700	57,750	13,284	11,223	14,047	12,198
51,750	51,800	11,540	9,557	12,203	10,532	54,750	54,800	12,380	10,397	13,133	11,372	57,750	57,800	13,300	11,237	14,063	12,212
51,800	51,850	11,554	9,571	12,218	10,546	54,800	54,850	12,394	10,411	13,148	11,386	57,800	57,850	13,315	11,251	14,078	12,226
51,850	51,900	11,568	9,585	12,234	10,560	54,850	54,900	12,408	10,425	13,164	11,400	57,850	57,900	13,331	11,265	14,094	12,240
51,900	51,950	11,582	9,599	12,249	10,574	54,900	54,950	12,422	10,439	13,179	11,414	57,900	57,950	13,346	11,279	14,109	12,254
51,950	52,000	11,596	9,613	12,265	10,588	54,950	55,000	12,436	10,453	13,195	11,428	57,950	58,000	13,362	11,293	14,125	12,268
52,000						55,000						58,000					
52,000	52,050	11,610	9,627	12,280	10,602	55,000	55,050	12,450	10,467	13,210	11,442	58,000	58,050	13,377	11,307	14,140	12,282
52,050	52,100	11,624	9,641	12,296	10,616	55,050	55,100	12,464	10,481	13,226	11,456	58,050	58,100	13,393	11,321	14,156	12,296
52,100	52,150	11,638	9,655	12,311	10,630	55,100	55,150	12,478	10,495	13,241	11,470	58,100	58,150	13,408	11,335	14,171	12,310
52,150	52,200	11,652	9,669	12,327	10,644	55,150	55,200	12,494	10,509	13,257	11,484	58,150	58,200	13,424	11,349	14,187	12,324
52,200	52,250	11,666	9,683	12,342	10,658	55,200	55,250	12,509	10,523	13,272	11,498	58,200	58,250	13,439	11,363	14,202	12,338
52,250	52,300	11,680	9,697	12,358	10,672	55,250	55,300	12,525	10,537	13,288	11,512	58,250	58,300	13,455	11,377	14,218	12,352
52,300	52,350	11,694	9,711	12,373	10,686	55,300	55,350	12,540	10,551	13,303	11,526	58,300	58,350	13,470	11,391	14,233	12,366
52,350	52,400	11,708	9,725	12,389	10,700	55,350	55,400	12,556	10,565	13,319	11,540	58,350	58,400	13,486	11,405	14,249	12,380
52,400	52,450	11,722	9,739	12,404	10,714	55,400	55,450	12,571	10,579	13,334	11,554	58,400	58,450	13,501	11,419	14,264	12,394
52,450	52,500	11,736	9,753	12,420	10,728	55,450	55,500	12,587	10,593	13,350	11,568	58,450	58,500	13,517	11,433	14,280	12,408
52,500	52,550	11,750	9,767	12,435	10,742	55,500	55,550	12,602	10,607	13,365	11,582	58,500	58,550	13,532	11,447	14,295	12,422
52,550	52,600	11,764	9,781	12,451	10,756	55,550	55,600	12,618	10,621	13,381	11,596	58,550	58,600	13,548	11,461	14,311	12,436
52,600	52,650	11,778	9,795	12,466	10,770	55,600	55,650	12,633	10,635	13,396	11,610						

1994 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—					
		Single	Married filing jointly	Married filing separately	Head of a house- hold			Single	Married filing jointly	Married filing separately	Head of a house- hold			Single	Married filing jointly	Married filing separately	Head of a house- hold		
At least	But less than	Your tax is—				At least	But less than	Your tax is—				At least	But less than	Your tax is—					
59,000		62,000				65,000		59,000		59,050		13,687		11,587		14,450		12,562	
60,000		63,000				66,000		60,000		60,050		13,997		11,867		14,760		12,842	
61,000		64,000				67,000		61,000		61,050		14,307		12,147		15,070		13,122	
62,000		65,000				68,000		62,000		62,050		14,617		12,427		15,380		13,402	
63,000		66,000				69,000		63,000		63,050		14,927		12,707		15,690		13,682	
64,000		67,000				70,000		64,000		64,050		15,237		12,987		16,000		13,962	
65,000		68,000				71,000		65,000		65,050		15,547		13,267		16,310		14,242	
66,000		69,000				72,000		66,000		66,050		15,857		13,547		16,620		14,522	
67,000		70,000				73,000		67,000		67,050		16,167		13,827		16,930		14,802	
68,000		71,000				74,000		68,000		68,050		16,477		14,107		17,240		15,082	
69,000		72,000				75,000		69,000		69,050		16,787		14,387		17,550		15,362	
70,000		73,000				76,000		70,000		70,050		17,097		14,667		17,860		15,642	
71,000		74,000				77,000		71,000		71,050		17,407		14,947		18,170		15,922	
72,000		75,000				78,000		72,000		72,050		17,717		15,227		18,480		16,202	
73,000		76,000				79,000		73,000		73,050		18,027		15,507		18,790		16,482	
74,000		77,000				80,000		74,000		74,050		18,337		15,787		19,100		16,762	
75,000		78,000				81,000		75,000		75,050		18,647		16,067		19,410		17,042	
76,000		79,000				82,000		76,000		76,050		18,957		16,347		19,720		17,322	
77,000		80,000				83,000		77,000		77,050		19,267		16,627		20,030		17,602	
78,000		81,000				84,000		78,000		78,050		19,577		16,907		20,340		17,882	
79,000		82,000				85,000		79,000		79,050		19,887		17,187		20,650		18,162	
80,000		83,000				86,000		80,000		80,050		20,197		17,467		20,960		18,442	
81,000		84,000				87,000		81,000		81,050		20,507		17,747		21,270		18,722	
82,000		85,000				88,000		82,000		82,050		20,817		18,027		21,580		19,002	
83,000		86,000				89,000		83,000		83,050		21,127		18,307		21,890		19,282	
84,000		87,000				90,000		84,000		84,050		21,437		18,587		22,200		19,562	
85,000		88,000				91,000		85,000		85,050		21,747		18,867		22,510		19,842	
86,000		89,000				92,000		86,000		86,050		22,057		19,147		22,820		20,122	
87,000		90,000				93,000		87,000		87,050		22,367		19,427		23,130		20,402	
88,000		91,000				94,000		88,000		88,050		22,677		19,707		23,440		20,682	
89,000		92,000				95,000		89,000		89,050		22,987		19,987		23,750		20,962	
90,000		93,000				96,000		90,000		90,050		23,297		20,267		24,060		21,242	
91,000		94,000				97,000		91,000		91,050		23,607		20,547		24,370		21,522	
92,000		95,000				98,000		92,000		92,050		23,917		20,827		24,680		21,802	
93,000		96,000				99,000		93,000		93,050		24,227		21,107		24,990		22,082	
94,000		97,000				100,000		94,000		94,050		24,537		21,387		25,300		22,362	

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

Continued on next page

1994 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—			
68,000						71,000						74,000					
68,000	68,050	16,477	14,107	17,240	15,082	71,000	71,050	17,407	14,947	18,221	15,922	74,000	74,050	18,337	15,787	19,301	16,762
68,050	68,100	16,493	14,121	17,256	15,096	71,050	71,100	17,423	14,961	18,239	15,936	74,050	74,100	18,353	15,801	19,319	16,776
68,100	68,150	16,508	14,135	17,271	15,110	71,100	71,150	17,438	14,975	18,257	15,950	74,100	74,150	18,368	15,815	19,337	16,790
68,150	68,200	16,524	14,149	17,287	15,124	71,150	71,200	17,454	14,989	18,275	15,964	74,150	74,200	18,384	15,829	19,355	16,804
68,200	68,250	16,539	14,163	17,302	15,138	71,200	71,250	17,469	15,003	18,293	15,978	74,200	74,250	18,399	15,843	19,373	16,818
68,250	68,300	16,555	14,177	17,318	15,152	71,250	71,300	17,485	15,017	18,311	15,992	74,250	74,300	18,415	15,857	19,391	16,832
68,300	68,350	16,570	14,191	17,333	15,166	71,300	71,350	17,500	15,031	18,329	16,006	74,300	74,350	18,430	15,871	19,409	16,846
68,350	68,400	16,586	14,205	17,349	15,180	71,350	71,400	17,516	15,045	18,347	16,020	74,350	74,400	18,446	15,885	19,427	16,860
68,400	68,450	16,601	14,219	17,364	15,194	71,400	71,450	17,531	15,059	18,365	16,034	74,400	74,450	18,461	15,899	19,445	16,874
68,450	68,500	16,617	14,233	17,380	15,208	71,450	71,500	17,547	15,073	18,383	16,048	74,450	74,500	18,477	15,913	19,463	16,888
68,500	68,550	16,632	14,247	17,395	15,222	71,500	71,550	17,562	15,087	18,401	16,062	74,500	74,550	18,492	15,927	19,481	16,902
68,550	68,600	16,648	14,261	17,411	15,236	71,550	71,600	17,578	15,101	18,419	16,076	74,550	74,600	18,508	15,941	19,499	16,916
68,600	68,650	16,663	14,275	17,426	15,250	71,600	71,650	17,593	15,115	18,437	16,090	74,600	74,650	18,523	15,955	19,517	16,930
68,650	68,700	16,679	14,289	17,442	15,264	71,650	71,700	17,609	15,129	18,455	16,104	74,650	74,700	18,539	15,969	19,535	16,944
68,700	68,750	16,694	14,303	17,457	15,278	71,700	71,750	17,624	15,143	18,473	16,118	74,700	74,750	18,554	15,983	19,553	16,958
68,750	68,800	16,710	14,317	17,473	15,292	71,750	71,800	17,640	15,157	18,491	16,132	74,750	74,800	18,570	15,997	19,571	16,972
68,800	68,850	16,725	14,331	17,488	15,306	71,800	71,850	17,655	15,171	18,509	16,146	74,800	74,850	18,585	16,011	19,589	16,986
68,850	68,900	16,741	14,345	17,504	15,320	71,850	71,900	17,671	15,185	18,527	16,160	74,850	74,900	18,601	16,025	19,607	17,000
68,900	68,950	16,756	14,359	17,519	15,334	71,900	71,950	17,686	15,199	18,545	16,174	74,900	74,950	18,616	16,039	19,625	17,014
68,950	69,000	16,772	14,373	17,535	15,348	71,950	72,000	17,702	15,213	18,563	16,188	74,950	75,000	18,632	16,053	19,643	17,028
69,000						72,000						75,000					
69,000	69,050	16,787	14,387	17,550	15,362	72,000	72,050	17,717	15,227	18,581	16,202	75,000	75,050	18,647	16,067	19,661	17,042
69,050	69,100	16,803	14,401	17,566	15,376	72,050	72,100	17,733	15,241	18,599	16,216	75,050	75,100	18,663	16,081	19,679	17,056
69,100	69,150	16,818	14,415	17,581	15,390	72,100	72,150	17,748	15,255	18,617	16,230	75,100	75,150	18,678	16,095	19,697	17,070
69,150	69,200	16,834	14,429	17,597	15,404	72,150	72,200	17,764	15,269	18,635	16,244	75,150	75,200	18,694	16,109	19,715	17,084
69,200	69,250	16,849	14,443	17,612	15,418	72,200	72,250	17,779	15,283	18,653	16,258	75,200	75,250	18,709	16,123	19,733	17,098
69,250	69,300	16,865	14,457	17,628	15,432	72,250	72,300	17,795	15,297	18,671	16,272	75,250	75,300	18,725	16,137	19,751	17,112
69,300	69,350	16,880	14,471	17,643	15,446	72,300	72,350	17,810	15,311	18,689	16,286	75,300	75,350	18,740	16,151	19,769	17,126
69,350	69,400	16,896	14,485	17,659	15,460	72,350	72,400	17,826	15,325	18,707	16,300	75,350	75,400	18,756	16,165	19,787	17,140
69,400	69,450	16,911	14,499	17,674	15,474	72,400	72,450	17,841	15,339	18,725	16,314	75,400	75,450	18,771	16,179	19,805	17,154
69,450	69,500	16,927	14,513	17,690	15,488	72,450	72,500	17,857	15,353	18,743	16,328	75,450	75,500	18,787	16,193	19,823	17,168
69,500	69,550	16,942	14,527	17,705	15,502	72,500	72,550	17,872	15,367	18,761	16,342	75,500	75,550	18,802	16,207	19,841	17,182
69,550	69,600	16,958	14,541	17,721	15,516	72,550	72,600	17,888	15,381	18,779	16,356	75,550	75,600	18,818	16,221	19,859	17,196
69,600	69,650	16,973	14,555	17,736	15,530	72,600	72,650	17,903	15,395	18,797	16,370	75,600	75,650	18,833	16,235	19,877	17,210
69,650	69,700	16,989	14,569	17,752	15,544	72,650	72,700	17,919	15,409	18,815	16,384	75,650	75,700	18,849	16,249	19,895	17,224
69,700	69,750	17,004	14,583	17,767	15,558	72,700	72,750	17,934	15,423	18,833	16,398	75,700	75,750	18,864	16,263	19,913	17,238
69,750	69,800	17,020	14,597	17,783	15,572	72,750	72,800	17,950	15,437	18,851	16,412	75,750	75,800	18,880	16,277	19,931	17,252
69,800	69,850	17,035	14,611	17,798	15,586	72,800	72,850	17,965	15,451	18,869	16,426	75,800	75,850	18,895	16,291	19,949	17,266
69,850	69,900	17,051	14,625	17,814	15,600	72,850	72,900	17,981	15,465	18,887	16,440	75,850	75,900	18,911	16,305	19,967	17,280
69,900	69,950	17,066	14,639	17,829	15,614	72,900	72,950	17,996	15,479	18,905	16,454	75,900	75,950	18,926	16,319	19,985	17,294
69,950	70,000	17,082	14,653	17,845	15,628	72,950	73,000	18,012	15,493	18,923	16,468	75,950	76,000	18,942	16,333	20,003	17,308
70,000						73,000						76,000					
70,000	70,050	17,097	14,667	17,861	15,642	73,000	73,050	18,027	15,507	18,941	16,482	76,000	76,050	18,957	16,347	20,021	17,322
70,050	70,100	17,113	14,681	17,879	15,656	73,050	73,100	18,043	15,521	18,959	16,496	76,050	76,100	18,973	16,361	20,039	17,336
70,100	70,150	17,128	14,695	17,897	15,670	73,100	73,150	18,058	15,535	18,977	16,510	76,100	76,150	18,988	16,375	20,057	17,350
70,150	70,200	17,144	14,709	17,915	15,684	73,150	73,200	18,074	15,549	18,995	16,524	76,150	76,200	19,004	16,389	20,075	17,364
70,200	70,250	17,159	14,723	17,933	15,698	73,200	73,250	18,089	15,563	19,013	16,538	76,200	76,250	19,019	16,403	20,093	17,378
70,250	70,300	17,175	14,737	17,951	15,712	73,250	73,300	18,105	15,577	19,031	16,552	76,250	76,300	19,035	16,417	20,111	17,392
70,300	70,350	17,190	14,751	17,969	15,726	73,300	73,350	18,120	15,591	19,049	16,566	76,300	76,350	19,050	16,431	20,129	17,406
70,350	70,400	17,206	14,765	17,987	15,740	73,350	73,400	18,136	15,605	19,067	16,580	76,350	76,400	19,066	16,445	20,147	17,420
70,400	70,450	17,221	14,779	18,005	15,754	73,400	73,450	18,151	15,619	19,085	16,594	76,400	76,450	19,081	16,459	20,165	17,434
70,450	70,500	17,237	14,793	18,023	15,768	73,450	73,500	18,167	15,633	19,103	16,608	76,450	76,500	19,097	16,473	20,183	17,448
70,500	70,550	17,252	14,807	18,041	15,782												

1994 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—			
		Single	Married filing jointly *	Married filing separately	Head of a household			Single	Married filing jointly *	Married filing separately	Head of a household			Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
77,000						80,000						83,000					
77,000	77,050	19,267	16,627	20,381	17,602	80,000	80,050	20,197	17,467	21,461	18,482	83,000	83,050	21,127	18,307	22,541	19,412
77,050	77,100	19,283	16,641	20,399	17,616	80,050	80,100	20,213	17,481	21,479	18,497	83,050	83,100	21,143	18,321	22,559	19,427
77,100	77,150	19,298	16,655	20,417	17,630	80,100	80,150	20,228	17,495	21,497	18,513	83,100	83,150	21,158	18,335	22,577	19,443
77,150	77,200	19,314	16,669	20,435	17,644	80,150	80,200	20,244	17,509	21,515	18,528	83,150	83,200	21,174	18,349	22,595	19,458
77,200	77,250	19,329	16,683	20,453	17,658	80,200	80,250	20,259	17,523	21,533	18,544	83,200	83,250	21,189	18,363	22,613	19,474
77,250	77,300	19,345	16,697	20,471	17,672	80,250	80,300	20,275	17,537	21,551	18,559	83,250	83,300	21,205	18,377	22,631	19,489
77,300	77,350	19,360	16,711	20,489	17,686	80,300	80,350	20,290	17,551	21,569	18,575	83,300	83,350	21,220	18,391	22,649	19,505
77,350	77,400	19,376	16,725	20,507	17,700	80,350	80,400	20,306	17,565	21,587	18,590	83,350	83,400	21,236	18,405	22,667	19,520
77,400	77,450	19,391	16,739	20,525	17,714	80,400	80,450	20,321	17,579	21,605	18,606	83,400	83,450	21,251	18,419	22,685	19,536
77,450	77,500	19,407	16,753	20,543	17,728	80,450	80,500	20,337	17,593	21,623	18,621	83,450	83,500	21,267	18,433	22,703	19,551
77,500	77,550	19,422	16,767	20,561	17,742	80,500	80,550	20,352	17,607	21,641	18,637	83,500	83,550	21,282	18,447	22,721	19,567
77,550	77,600	19,438	16,781	20,579	17,756	80,550	80,600	20,368	17,621	21,659	18,652	83,550	83,600	21,298	18,461	22,739	19,582
77,600	77,650	19,453	16,795	20,597	17,770	80,600	80,650	20,383	17,635	21,677	18,668	83,600	83,650	21,313	18,475	22,757	19,598
77,650	77,700	19,469	16,809	20,615	17,784	80,650	80,700	20,399	17,649	21,695	18,683	83,650	83,700	21,329	18,489	22,775	19,613
77,700	77,750	19,484	16,823	20,633	17,798	80,700	80,750	20,414	17,663	21,713	18,699	83,700	83,750	21,344	18,503	22,793	19,629
77,750	77,800	19,500	16,837	20,651	17,812	80,750	80,800	20,430	17,677	21,731	18,714	83,750	83,800	21,360	18,517	22,811	19,644
77,800	77,850	19,515	16,851	20,669	17,826	80,800	80,850	20,445	17,691	21,749	18,730	83,800	83,850	21,375	18,531	22,829	19,660
77,850	77,900	19,531	16,865	20,687	17,840	80,850	80,900	20,461	17,705	21,767	18,745	83,850	83,900	21,391	18,545	22,847	19,675
77,900	77,950	19,546	16,879	20,705	17,854	80,900	80,950	20,476	17,719	21,785	18,761	83,900	83,950	21,406	18,559	22,865	19,691
77,950	78,000	19,562	16,893	20,723	17,868	80,950	81,000	20,492	17,733	21,803	18,776	83,950	84,000	21,422	18,573	22,883	19,706
78,000						81,000						84,000					
78,000	78,050	19,577	16,907	20,741	17,882	81,000	81,050	20,507	17,747	21,821	18,792	84,000	84,050	21,437	18,587	22,901	19,722
78,050	78,100	19,593	16,921	20,759	17,896	81,050	81,100	20,523	17,761	21,839	18,807	84,050	84,100	21,453	18,601	22,919	19,737
78,100	78,150	19,608	16,935	20,777	17,910	81,100	81,150	20,538	17,775	21,857	18,823	84,100	84,150	21,468	18,615	22,937	19,753
78,150	78,200	19,624	16,949	20,795	17,924	81,150	81,200	20,554	17,789	21,875	18,838	84,150	84,200	21,484	18,629	22,955	19,768
78,200	78,250	19,639	16,963	20,813	17,938	81,200	81,250	20,569	17,803	21,893	18,854	84,200	84,250	21,499	18,643	22,973	19,784
78,250	78,300	19,655	16,977	20,831	17,952	81,250	81,300	20,585	17,817	21,911	18,869	84,250	84,300	21,515	18,657	22,991	19,799
78,300	78,350	19,670	16,991	20,849	17,966	81,300	81,350	20,600	17,831	21,929	18,885	84,300	84,350	21,530	18,671	23,009	19,815
78,350	78,400	19,686	17,005	20,867	17,980	81,350	81,400	20,616	17,845	21,947	18,900	84,350	84,400	21,546	18,685	23,027	19,830
78,400	78,450	19,701	17,019	20,885	17,994	81,400	81,450	20,631	17,859	21,965	18,916	84,400	84,450	21,561	18,699	23,045	19,846
78,450	78,500	19,717	17,033	20,903	18,008	81,450	81,500	20,647	17,873	21,983	18,931	84,450	84,500	21,577	18,713	23,063	19,861
78,500	78,550	19,732	17,047	20,921	18,022	81,500	81,550	20,662	17,887	22,001	18,947	84,500	84,550	21,592	18,727	23,081	19,877
78,550	78,600	19,748	17,061	20,939	18,036	81,550	81,600	20,678	17,901	22,019	18,962	84,550	84,600	21,608	18,741	23,099	19,892
78,600	78,650	19,763	17,075	20,957	18,050	81,600	81,650	20,693	17,915	22,037	18,978	84,600	84,650	21,623	18,755	23,117	19,908
78,650	78,700	19,779	17,089	20,975	18,064	81,650	81,700	20,709	17,929	22,055	18,993	84,650	84,700	21,639	18,769	23,135	19,923
78,700	78,750	19,794	17,103	20,993	18,079	81,700	81,750	20,724	17,943	22,073	19,009	84,700	84,750	21,654	18,783	23,153	19,939
78,750	78,800	19,810	17,117	21,011	18,094	81,750	81,800	20,740	17,957	22,091	19,024	84,750	84,800	21,670	18,797	23,171	19,954
78,800	78,850	19,825	17,131	21,029	18,110	81,800	81,850	20,755	17,971	22,109	19,040	84,800	84,850	21,685	18,811	23,189	19,970
78,850	78,900	19,841	17,145	21,047	18,125	81,850	81,900	20,771	17,985	22,127	19,055	84,850	84,900	21,701	18,825	23,207	19,985
78,900	78,950	19,856	17,159	21,065	18,141	81,900	81,950	20,786	17,999	22,145	19,071	84,900	84,950	21,716	18,839	23,225	20,001
78,950	79,000	19,872	17,173	21,083	18,156	81,950	82,000	20,802	18,013	22,163	19,086	84,950	85,000	21,732	18,853	23,243	20,016
79,000						82,000						85,000					
79,000	79,050	19,887	17,187	21,101	18,172	82,000	82,050	20,817	18,027	22,181	19,102	85,000	85,050	21,747	18,867	23,261	20,032
79,050	79,100	19,903	17,201	21,119	18,187	82,050	82,100	20,833	18,041	22,199	19,117	85,050	85,100	21,763	18,881	23,279	20,047
79,100	79,150	19,918	17,215	21,137	18,203	82,100	82,150	20,848	18,055	22,217	19,133	85,100	85,150	21,778	18,895	23,297	20,063
79,150	79,200	19,934	17,229	21,155	18,218	82,150	82,200	20,864	18,069	22,235	19,148	85,150	85,200	21,794	18,909	23,315	20,078
79,200	79,250	19,949	17,243	21,173	18,234	82,200	82,250	20,879	18,083	22,253	19,164	85,200	85,250	21,809	18,923	23,333	20,094
79,250	79,300	19,965	17,257	21,191	18,249	82,250	82,300	20,895	18,097	22,271	19,179	85,250	85,300	21,825	18,937	23,351	20,109
79,300	79,350	19,980	17,271	21,209	18,265	82,300	82,350	20,910	18,111	22,289	19,195	85,300	85,350	21,840	18,951	23,369	20,125
79,350	79,400	19,996	17,285	21,227	18,280	82,350	82,400	20,926	18,125	22,307	19,210	85,350	85,400	21,856	18,965	23,387	20,140
79,400	79,450	20,011	17,299	21,245	18,296	82,400	82,450	20,941	18,139	22,325	19,226	85,400	85,450	21,871	18,979	23,405	20,156
79,450	79,500	20,027	17,313	21,263	18,311	82,450	82,500	20,957	18,153	22,343	19,241	85,450	85,500	21,887	18,993	23,423	20,171
79,500	79,550	20,042	17,327	21,281	18,327	82,500	82,550	20,972									

1994 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—			
86,000						89,000						92,000					
86,000	86,050	22,057	19,147	23,621	20,342	89,000	89,050	22,987	19,987	24,701	21,272	92,000	92,050	23,917	20,832	25,781	22,202
86,050	86,100	22,073	19,161	23,639	20,357	89,050	89,100	23,003	20,001	24,719	21,287	92,050	92,100	23,933	20,848	25,799	22,217
86,100	86,150	22,088	19,175	23,657	20,373	89,100	89,150	23,018	20,015	24,737	21,303	92,100	92,150	23,948	20,863	25,817	22,233
86,150	86,200	22,104	19,189	23,675	20,388	89,150	89,200	23,034	20,029	24,755	21,318	92,150	92,200	23,964	20,879	25,835	22,248
86,200	86,250	22,119	19,203	23,693	20,404	89,200	89,250	23,049	20,043	24,773	21,334	92,200	92,250	23,979	20,894	25,853	22,264
86,250	86,300	22,135	19,217	23,711	20,419	89,250	89,300	23,065	20,057	24,791	21,349	92,250	92,300	23,995	20,910	25,871	22,279
86,300	86,350	22,150	19,231	23,729	20,435	89,300	89,350	23,080	20,071	24,809	21,365	92,300	92,350	24,010	20,925	25,889	22,295
86,350	86,400	22,166	19,245	23,747	20,450	89,350	89,400	23,096	20,085	24,827	21,380	92,350	92,400	24,026	20,941	25,907	22,310
86,400	86,450	22,181	19,259	23,765	20,466	89,400	89,450	23,111	20,099	24,845	21,396	92,400	92,450	24,041	20,956	25,925	22,326
86,450	86,500	22,197	19,273	23,783	20,481	89,450	89,500	23,127	20,113	24,863	21,411	92,450	92,500	24,057	20,972	25,943	22,341
86,500	86,550	22,212	19,287	23,801	20,497	89,500	89,550	23,142	20,127	24,881	21,427	92,500	92,550	24,072	20,987	25,961	22,357
86,550	86,600	22,228	19,301	23,819	20,512	89,550	89,600	23,158	20,141	24,899	21,442	92,550	92,600	24,088	21,003	25,979	22,372
86,600	86,650	22,243	19,315	23,837	20,528	89,600	89,650	23,173	20,155	24,917	21,458	92,600	92,650	24,103	21,018	25,997	22,388
86,650	86,700	22,259	19,329	23,855	20,543	89,650	89,700	23,189	20,169	24,935	21,473	92,650	92,700	24,119	21,034	26,015	22,403
86,700	86,750	22,274	19,343	23,873	20,559	89,700	89,750	23,204	20,183	24,953	21,489	92,700	92,750	24,134	21,049	26,033	22,419
86,750	86,800	22,290	19,357	23,891	20,574	89,750	89,800	23,220	20,197	24,971	21,504	92,750	92,800	24,150	21,065	26,051	22,434
86,800	86,850	22,305	19,371	23,909	20,590	89,800	89,850	23,235	20,211	24,989	21,520	92,800	92,850	24,165	21,080	26,069	22,450
86,850	86,900	22,321	19,385	23,927	20,605	89,850	89,900	23,251	20,225	25,007	21,535	92,850	92,900	24,181	21,096	26,087	22,465
86,900	86,950	22,336	19,399	23,945	20,621	89,900	89,950	23,266	20,239	25,025	21,551	92,900	92,950	24,196	21,111	26,105	22,481
86,950	87,000	22,352	19,413	23,963	20,636	89,950	90,000	23,282	20,253	25,043	21,566	92,950	93,000	24,212	21,127	26,123	22,496
87,000						90,000						93,000					
87,000	87,050	22,367	19,427	23,981	20,652	90,000	90,050	23,297	20,267	25,061	21,582	93,000	93,050	24,227	21,142	26,141	22,512
87,050	87,100	22,383	19,441	23,999	20,667	90,050	90,100	23,313	20,281	25,079	21,597	93,050	93,100	24,243	21,158	26,159	22,527
87,100	87,150	22,398	19,455	24,017	20,683	90,100	90,150	23,328	20,295	25,097	21,613	93,100	93,150	24,258	21,173	26,177	22,543
87,150	87,200	22,414	19,469	24,035	20,698	90,150	90,200	23,344	20,309	25,115	21,628	93,150	93,200	24,274	21,189	26,195	22,558
87,200	87,250	22,429	19,483	24,053	20,714	90,200	90,250	23,359	20,323	25,133	21,644	93,200	93,250	24,289	21,204	26,213	22,574
87,250	87,300	22,445	19,497	24,071	20,729	90,250	90,300	23,375	20,337	25,151	21,659	93,250	93,300	24,305	21,220	26,231	22,589
87,300	87,350	22,460	19,511	24,089	20,745	90,300	90,350	23,390	20,351	25,169	21,675	93,300	93,350	24,320	21,235	26,249	22,605
87,350	87,400	22,476	19,525	24,107	20,760	90,350	90,400	23,406	20,365	25,187	21,690	93,350	93,400	24,336	21,251	26,267	22,620
87,400	87,450	22,491	19,539	24,125	20,776	90,400	90,450	23,421	20,379	25,205	21,706	93,400	93,450	24,351	21,266	26,285	22,636
87,450	87,500	22,507	19,553	24,143	20,791	90,450	90,500	23,437	20,393	25,223	21,721	93,450	93,500	24,367	21,282	26,303	22,651
87,500	87,550	22,522	19,567	24,161	20,807	90,500	90,550	23,452	20,407	25,241	21,737	93,500	93,550	24,382	21,297	26,321	22,667
87,550	87,600	22,538	19,581	24,179	20,822	90,550	90,600	23,468	20,421	25,259	21,752	93,550	93,600	24,398	21,313	26,339	22,682
87,600	87,650	22,553	19,595	24,197	20,838	90,600	90,650	23,483	20,435	25,277	21,768	93,600	93,650	24,413	21,328	26,357	22,698
87,650	87,700	22,569	19,609	24,215	20,853	90,650	90,700	23,499	20,449	25,295	21,783	93,650	93,700	24,429	21,344	26,375	22,713
87,700	87,750	22,584	19,623	24,233	20,869	90,700	90,750	23,514	20,463	25,313	21,799	93,700	93,750	24,444	21,359	26,393	22,729
87,750	87,800	22,600	19,637	24,251	20,884	90,750	90,800	23,530	20,477	25,331	21,814	93,750	93,800	24,460	21,375	26,411	22,744
87,800	87,850	22,615	19,651	24,269	20,900	90,800	90,850	23,545	20,491	25,349	21,830	93,800	93,850	24,475	21,390	26,429	22,760
87,850	87,900	22,631	19,665	24,287	20,915	90,850	90,900	23,561	20,505	25,367	21,845	93,850	93,900	24,491	21,406	26,447	22,775
87,900	87,950	22,646	19,679	24,305	20,931	90,900	90,950	23,576	20,519	25,385	21,861	93,900	93,950	24,506	21,421	26,465	22,791
87,950	88,000	22,662	19,693	24,323	20,946	90,950	91,000	23,592	20,533	25,403	21,876	93,950	94,000	24,522	21,437	26,483	22,806
88,000						91,000						94,000					
88,000	88,050	22,677	19,707	24,341	20,962	91,000	91,050	23,607	20,547	25,421	21,892	94,000	94,050	24,537	21,452	26,501	22,822
88,050	88,100	22,693	19,721	24,359	20,977	91,050	91,100	23,623	20,561	25,439	21,907	94,050	94,100	24,553	21,468	26,519	22,837
88,100	88,150	22,708	19,735	24,377	20,993	91,100	91,150	23,638	20,575	25,457	21,923	94,100	94,150	24,568	21,483	26,537	22,853
88,150	88,200	22,724	19,749	24,395	21,008	91,150	91,200	23,654	20,589	25,475	21,938	94,150	94,200	24,584	21,499	26,555	22,868
88,200	88,250	22,739	19,763	24,413	21,024	91,200	91,250	23,669	20,603	25,493	21,954	94,200	94,250	24,599	21,514	26,573	22,884
88,250	88,300	22,755	19,777	24,431	21,039	91,250	91,300	23,685	20,617	25,511	21,969	94,250	94,300	24,615	21,530	26,591	22,899
88,300	88,350	22,770	19,791	24,449	21,055	91,300	91,350	23,700	20,631	25,529	21,985	94,300	94,350	24,630	21,545	26,609	22,915
88,350	88,400	22,786	19,805	24,467	21,070	91,350	91,400	23,716	20,645	25,547	22,000	94,350	94,400	24,646	21,561	26,627	22,930
88,400	88,450	22,801	19,819	24,485	21,086	91,400	91,450	23,731	20,659	25,565	22,016	94,400	94,450	24,661	21,576	26,645	22,946
88,450	88,500	22,817	19,833	24,503	21,101	91,450	91,500	23,747	20,673	25,583	22,031	94,450	94,500	24,677	21,592	26,663	22,961
88,500	88,550	22,832	19,847	24,521	21,117	91,500	91,550	23,762	20,687	25,601	22,047	94,500	94,550	24,692	21,607	26,681	22,977
88,550	88,600	22,848	19,861	24,539	21,132	91,550	91,600	23,778	20,701	25,619	22,062	94,550	94,600	24,708	21,623	26,699	22,992
88,600	88,650	22,863	19,875	24,557	21,148	91,600	91,650	23,793	20,715	25,637	22,078	94,600	94,650	24,723	21,638	26,717	23,008
88,650	88,700	22,879	19,889	24,575	21,163	91,650	91,700	23,809	20,729	25,655	22,093	94,650	94,700	24,739	21,654	26,735	23,023
88,700	88,750	22,894	19,903	24,593	21,179	91,700	91,750	23,824	20,743	25,673	22,109	94,700	94,750	24,754	21,669	26,753	23,039
88,750	88,800	22,910	19,917	24,611	21,194	91,750	91,800	23,840	20,757	25,691	22,124	94,750	94,800	24,770	21,685	26,771	23,054
88,800	88,850	22,925</															

1994 Tax Table—Continued

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
		Your tax is—						Your tax is—			
95,000						98,000					
95,000	95,050	24,847	21,762	26,861	23,132	98,000	98,050	25,777	22,692	27,941	24,062
95,050	95,100	24,863	21,778	26,879	23,147	98,050	98,100	25,793	22,708	27,959	24,077
95,100	95,150	24,878	21,793	26,897	23,163	98,100	98,150	25,808	22,723	27,977	24,093
95,150	95,200	24,894	21,809	26,915	23,178	98,150	98,200	25,824	22,739	27,995	24,108
95,200	95,250	24,909	21,824	26,933	23,194	98,200	98,250	25,839	22,754	28,013	24,124
95,250	95,300	24,925	21,840	26,951	23,209	98,250	98,300	25,855	22,770	28,031	24,139
95,300	95,350	24,940	21,855	26,969	23,225	98,300	98,350	25,870	22,785	28,049	24,155
95,350	95,400	24,956	21,871	26,987	23,240	98,350	98,400	25,886	22,801	28,067	24,170
95,400	95,450	24,971	21,886	27,005	23,256	98,400	98,450	25,901	22,816	28,085	24,186
95,450	95,500	24,987	21,902	27,023	23,271	98,450	98,500	25,917	22,832	28,103	24,201
95,500	95,550	25,002	21,917	27,041	23,287	98,500	98,550	25,932	22,847	28,121	24,217
95,550	95,600	25,018	21,933	27,059	23,302	98,550	98,600	25,948	22,863	28,139	24,232
95,600	95,650	25,033	21,948	27,077	23,318	98,600	98,650	25,963	22,878	28,157	24,248
95,650	95,700	25,049	21,964	27,095	23,333	98,650	98,700	25,979	22,894	28,175	24,263
95,700	95,750	25,064	21,979	27,113	23,349	98,700	98,750	25,994	22,909	28,193	24,279
95,750	95,800	25,080	21,995	27,131	23,364	98,750	98,800	26,010	22,925	28,211	24,294
95,800	95,850	25,095	22,010	27,149	23,380	98,800	98,850	26,025	22,940	28,229	24,310
95,850	95,900	25,111	22,026	27,167	23,395	98,850	98,900	26,041	22,956	28,247	24,325
95,900	95,950	25,126	22,041	27,185	23,411	98,900	98,950	26,056	22,971	28,265	24,341
95,950	96,000	25,142	22,057	27,203	23,426	98,950	99,000	26,072	22,987	28,283	24,356
96,000						99,000					
96,000	96,050	25,157	22,072	27,221	23,442	99,000	99,050	26,087	23,002	28,301	24,372
96,050	96,100	25,173	22,088	27,239	23,457	99,050	99,100	26,103	23,018	28,319	24,387
96,100	96,150	25,188	22,103	27,257	23,473	99,100	99,150	26,118	23,033	28,337	24,403
96,150	96,200	25,204	22,119	27,275	23,488	99,150	99,200	26,134	23,049	28,355	24,418
96,200	96,250	25,219	22,134	27,293	23,504	99,200	99,250	26,149	23,064	28,373	24,434
96,250	96,300	25,235	22,150	27,311	23,519	99,250	99,300	26,165	23,080	28,391	24,449
96,300	96,350	25,250	22,165	27,329	23,535	99,300	99,350	26,180	23,095	28,409	24,465
96,350	96,400	25,266	22,181	27,347	23,550	99,350	99,400	26,196	23,111	28,427	24,480
96,400	96,450	25,281	22,196	27,365	23,566	99,400	99,450	26,211	23,126	28,445	24,496
96,450	96,500	25,297	22,212	27,383	23,581	99,450	99,500	26,227	23,142	28,463	24,511
96,500	96,550	25,312	22,227	27,401	23,597	99,500	99,550	26,242	23,157	28,481	24,527
96,550	96,600	25,328	22,243	27,419	23,612	99,550	99,600	26,258	23,173	28,499	24,542
96,600	96,650	25,343	22,258	27,437	23,628	99,600	99,650	26,273	23,188	28,517	24,558
96,650	96,700	25,359	22,274	27,455	23,643	99,650	99,700	26,289	23,204	28,535	24,573
96,700	96,750	25,374	22,289	27,473	23,659	99,700	99,750	26,304	23,219	28,553	24,589
96,750	96,800	25,390	22,305	27,491	23,674	99,750	99,800	26,320	23,235	28,571	24,604
96,800	96,850	25,405	22,320	27,509	23,690	99,800	99,850	26,335	23,250	28,589	24,620
96,850	96,900	25,421	22,336	27,527	23,705	99,850	99,900	26,351	23,266	28,607	24,635
96,900	96,950	25,436	22,351	27,545	23,721	99,900	99,950	26,366	23,281	28,625	24,651
96,950	97,000	25,452	22,367	27,563	23,736	99,950	100,000	26,382	23,297	28,643	24,666
97,000						<div style="border: 1px solid black; border-radius: 50%; padding: 20px; text-align: center;"> <p>\$100,000 or over — use the Tax Rate Schedules on page 53</p> </div>					
97,000	97,050	25,467	22,382	27,581	23,752						
97,050	97,100	25,483	22,398	27,599	23,767						
97,100	97,150	25,498	22,413	27,617	23,783						
97,150	97,200	25,514	22,429	27,635	23,798						
97,200	97,250	25,529	22,444	27,653	23,814						
97,250	97,300	25,545	22,460	27,671	23,829						
97,300	97,350	25,560	22,475	27,689	23,845						
97,350	97,400	25,576	22,491	27,707	23,860						
97,400	97,450	25,591	22,506	27,725	23,876						
97,450	97,500	25,607	22,522	27,743	23,891						
97,500	97,550	25,622	22,537	27,761	23,907						
97,550	97,600	25,638	22,553	27,779	23,922						
97,600	97,650	25,653	22,568	27,797	23,938						
97,650	97,700	25,669	22,584	27,815	23,953						
97,700	97,750	25,684	22,599	27,833	23,969						
97,750	97,800	25,700	22,615	27,851	23,984						
97,800	97,850	25,715	22,630	27,869	24,000						
97,850	97,900	25,731	22,646	27,887	24,015						
97,900	97,950	25,746	22,661	27,905	24,031						
97,950	98,000	25,762	22,677	27,923	24,046						

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

1994 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: <i>Over—</i>	<i>But not over—</i>	Enter on Form 1040, line 38	<i>of the amount over—</i>
\$0	\$22,750	..... 15%	\$0
22,750	55,100	\$3,412.50 + 28%	22,750
55,100	115,000	12,470.50 + 31%	55,100
115,000	250,000	31,039.50 + 36%	115,000
250,000	.....	79,639.50 + 39.6%	250,000

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: <i>Over—</i>	<i>But not over—</i>	Enter on Form 1040, line 38	<i>of the amount over—</i>
\$0	\$38,000	..... 15%	\$0
38,000	91,850	\$5,700.00 + 28%	38,000
91,850	140,000	20,778.00 + 31%	91,850
140,000	250,000	35,704.50 + 36%	140,000
250,000	.....	75,304.50 + 39.6%	250,000

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

If the amount on Form 1040, line 37, is: <i>Over—</i>	<i>But not over—</i>	Enter on Form 1040, line 38	<i>of the amount over—</i>
\$0	\$19,000	..... 15%	\$0
19,000	45,925	\$2,850.00 + 28%	19,000
45,925	70,000	10,389.00 + 31%	45,925
70,000	125,000	17,852.25 + 36%	70,000
125,000	.....	37,652.25 + 39.6%	125,000

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

If the amount on Form 1040, line 37, is: <i>Over—</i>	<i>But not over—</i>	Enter on Form 1040, line 38	<i>of the amount over—</i>
\$0	\$30,500	..... 15%	\$0
30,500	78,700	\$4,575.00 + 28%	30,500
78,700	127,500	18,071.00 + 31%	78,700
127,500	250,000	33,199.00 + 36%	127,500
250,000	.....	77,299.00 + 39.6%	250,000

Section 7.

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 casualty and theft losses.

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.

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 expenses and special care expenses for disabled 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 (including your share of the employment taxes paid). 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 eyeglasses, contact lenses, hearing aids, braces, crutches, wheelchairs, and guide dogs, including the cost of maintaining them.
- Lodging expenses (but not meals) while away from home to receive medical care in a hospital or a medical care facility 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.

Note: Certain medical expenses paid out of a decedent's estate may be claimed on the decedent's final return. See Pub. 502 for details.

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 it was necessary to improve a deformity 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. But you may be able to take a credit. See the instructions for Form 1040, line 41.
- 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.

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 14 for **Children of Divorced or Separated Parents**.
- Any person you could have claimed as a dependent on your return if that person had

not received \$2,450 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 \$2,450 in 1994. You may include on line 1 any medical and dental expenses you paid in 1994 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 1994 for medical or dental expenses you paid in 1994, reduce your 1994 expenses by this amount. If you received a reimbursement in 1994 for prior year medical or dental expenses, do not reduce your 1994 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 21. 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 1 of your W-2 form(s). Also, do not include any other medical and dental expenses paid by the plan unless the amount paid is included in box 1 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 28 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 1994. Your W-2 form(s) will show these amounts. Forms W-2G, 1099-R, and 1099-MISC may also show state and local income taxes withheld.
- State and local income taxes paid in 1994 for a prior year, such as taxes paid with your 1993 state or local income tax return. **Do not** include penalties or interest.
- State and local estimated tax payments made during 1994, including any part of a prior year refund that you chose to have credited to your 1994 state or local income taxes.
- Mandatory contributions you made to the California Nonoccupational Disability Benefit Fund, New Jersey Nonoccupational Disability Benefit Fund, New York Nonoccupational Disability Benefit Fund, Rhode Island Temporary Disability Benefit Fund, or Washington State Supplemental Workmen's Compensation Fund.

Do not reduce your deduction by:

- Any state or local income tax refund or credit you expect to receive for 1994, or
- Any refund of, or credit for, prior year state and local income taxes you actually received in 1994. Instead, see the instructions for Form 1040, line 10.

Line 6

Real Estate Taxes

Include taxes (state, local, or foreign) you paid on real estate you own that was not used for business, but only if the taxes are based on the assessed value of the property. Also, the assessment must be made uniformly on property throughout the community, and the proceeds must be 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, 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 1994.

If you sold your home in 1994, any real estate tax charged to the buyer should be shown in box 5 of **Form 1099-S**, Proceeds

From Real Estate Transactions. This amount is considered a refund of real estate taxes you received in 1994. See **Refunds and Rebates** next.

Refunds and Rebates. If you received a refund or rebate in 1994 of real estate taxes you paid in 1994, reduce your deduction by the amount of the refund or rebate. If you received a refund or rebate in 1994 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 21, 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

Personal Property Taxes

Enter personal property tax you paid, 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.

Line 8

Other Taxes

If you had any deductible tax not listed on line 5, 6, or 7, list the type and amount of tax. Enter only one total on line 8. Include on this line income 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

Do not include interest deducted elsewhere such as on Schedule C, C-EZ, E, or F. 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 1994 that includes amounts that apply to any period after 1994, you may deduct only the amount that applies for 1994.

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

See Pub. 535 for more details.

Lines 10 and 11

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** (explained later), you may deduct all of your home mortgage interest on line 10 or 11, whichever applies. If one or more of your mortgages does not fit into any of the three categories, get **Pub. 936**, Home Mortgage Interest Deduction, to figure your deduction.

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** 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 1994. 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 1994. 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** earlier, 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 10. Enter on line 10 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 11 and any deductible points on line 12.

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 January 31, 1995. If this form shows any refund of overpaid interest, do not reduce your deduction by the refund. Instead, see the instructions for Form 1040, line 21.

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 10.

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 10.

Line 11. 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 11.

If you bought your home from the recipient, be sure to show that recipient's name, identifying no., and address on the dotted lines next to line 11. If the recipient is an individual, the identifying no. is his or her social security number (SSN). Otherwise, it is the employer identification no. You must also let the recipient know your SSN. If you don't show the required information about the recipient and let the recipient know your SSN, you may have to pay a \$50 penalty.

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 11, write "See attached."

Line 12

Points Not Reported on Form 1098

Points are shown on your settlement statement. Points you paid **only** to borrow money are deductible over the life of the loan. But you may deduct the points (including loan origination fees on a loan used to buy your main home) in the year paid if **all three** of the following apply:

1. The loan was used to **buy or improve your main home**, and was secured by that home.

2. The points did not exceed the points usually charged in the area where the loan was made, and were computed as a percentage of the loan amount.

3. If the loan was used to **buy** the home, you must have provided funds (see below) at least equal to the points charged. If the loan was used to **improve** the home, you must have paid the points with funds other than those obtained from the lender.

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 conventional, VA, and FHA loans.

Seller-Paid Points. If you are the buyer, you may be able to deduct points the seller paid in 1994. You can do this if the loan was used to buy your main home, the points meet item **2** above, and you reduce your basis in the home by those points. If you bought your home after April 3, 1994, the seller-paid points reduce your basis in the home, even if you don't deduct them. If you bought your home before April 4, 1994, the seller-paid points reduce your basis only if you deduct them.

If you are the seller, you **cannot** deduct the points as interest. Instead, include them as an expense of sale on **Form 2119**, Sale of Your Home.

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

Line 13

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 or dividends.

2. You have no other deductible expenses connected with the production of the interest or dividends.

3. Your investment interest expense is not more than your investment income.

4. You have no disallowed investment interest expense from 1993.

Note: Alaska Permanent Fund dividends, including those reported on **Form 8814**, Parents' Election To Report Child's Interest and Dividends, are not investment income.

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.

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.

If you made a gift and received a benefit in return, such as food, entertainment, or merchandise, you may deduct only the amount that is more than the value of the benefit. For example, if you paid \$70 to a charitable organization to attend a fund-raising dinner and the value of the dinner was \$40, you may deduct only \$30.

Gifts of \$250 or More. You may deduct a gift of \$250 or more only if you have a statement from the charitable organization showing the information in **1** and **2** below.

In figuring whether a gift is \$250 or more, do not combine separate donations. For example, if you gave your church \$25 each week for a total of \$1,300, treat each \$25 payment as a separate gift. If you made donations through payroll deductions, treat each deduction from each paycheck as a separate gift. Get **Pub. 526**, Charitable Contributions, if you made a separate gift of \$250 or more through payroll deduction.

1. The amount of any money contributed and a description (but not value) of any property donated.

2. Whether the organization did or did not give you any goods or services in return for your contribution. If you did receive any goods or services, a description and estimate of the value must be included. If you received only intangible religious benefits (such as admission to a religious ceremony), the organization must state this, but it does not have to describe or value the benefit.

You must get the statement by the date you file your return or the due date (including extensions) for filing your return, whichever is earlier. Do not attach the statement to your return. Instead, keep it for your records.

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 on Form 1040, line 32.
- Your gifts of capital gain property are more than 20% of the amount on Form 1040, line 32.
- 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.
- 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 and groups that are run for personal profit.
- Gifts to foreign organizations. But you may be able to deduct gifts to certain U.S. organizations that transfer funds to foreign charities and certain Canadian and Mexican charities. See Pub. 526 for details.
- Gifts to organizations engaged in certain political activities that are of direct financial interest to your trade or business. See Internal Revenue Code section 170(f)(9) for details.
- 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.
- Value of any benefit that you received in connection with a contribution to a charitable organization.

Line 15

Gifts by Cash or Check

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

Line 16

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 17

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 19

Use line 19 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 19.

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 on Form 1040, line 32.

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

Use line 22 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.

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.

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 25.

The 2% limit generally applies to job expenses you paid for which you were not reimbursed. These expenses are reported on line 20. The limit also applies to certain expenses you paid to produce or collect taxable income. These expenses are reported on lines 21 and 22.

Miscellaneous deductions that are not subject to the 2% limit are reported on lines 27 and 28. See the instructions for those lines.

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 if you lost money because of the insolvency or bankruptcy of a financial institution.
- 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 expenses for employment away from home if that period of employment exceeds 1 year.
- 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 20

Unreimbursed Employee Expenses

Enter the total job expenses you paid for which you were not reimbursed. (Amounts your employer included in box 1 of your W-2 form are not considered reimbursements.) 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 20.

If you used your own vehicle and **2** does not apply, you may be able to file **Form 2106-EZ**, Unreimbursed Employee Business Expenses, instead.

If you don't have to file Form 2106 or 2106-EZ, 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:

- Travel, transportation, meal, or entertainment 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, call Tele-Tax (see page 38) and listen to topic 509 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, call Tele-Tax (see page 38) and listen to topic 513 or get **Pub. 508**, Educational Expenses. Some educational expenses are not deductible. See **Examples of Expenses You May Not Deduct** on page A-4.

Line 21

Tax Preparation Fees

Enter the total fees you paid for preparation of your tax return, including fees paid for filing your return electronically. But **do not** include fees deducted elsewhere, such as on Schedule C, C-EZ, E, or F.

Line 22

Other Expenses

Enter the total amount you paid to produce or collect taxable income and manage or protect property held for earning income. 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 22. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 22.

Examples of expenses to include on line 22 are:

- 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.
- Certain expenses related to an activity not engaged in for profit. For details, get **Pub. 535**, Business Expenses.

Line 27

Moving Expenses Incurred Before 1994

If you incurred moving expenses in a year before 1994, but did not deduct them on a prior year's return, you may be able to take this deduction. The move must have been in connection with your job or business. For more details, get the instructions for **Form 3903**, Moving Expenses, or **Form 3903-F**, Foreign Moving Expenses.

Line 28

Other

Enter your total other 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 28. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 28. Only the expenses listed below can be deducted on this line:

- Gambling losses, but only to the extent of gambling winnings reported on Form 1040, line 21.
- 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. Get **Pub. 525**, Taxable and Nontaxable Income, 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 29

If the amount on Form 1040, line 32, is over \$111,800 (over \$55,900 if married filing separately), use the worksheet on this page to figure the amount to enter on line 29.

Itemized Deductions Worksheet—Line 29 (keep for your records)

- | | |
|--|-----------|
| 1. Add the amounts on Schedule A, lines 4, 9, 14, 18, 19, 26, 27, and 28 | 1. _____ |
| 2. Add the amounts on Schedule A, lines 4, 13, and 19, plus any gambling losses included on line 28 | 2. _____ |
| Caution: Be sure your total gambling losses are clearly identified on the dotted line next to line 28. | |
| 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 29, and see the Note below | 3. _____ |
| 4. Multiply line 3 above by 80% (.80) | 4. _____ |
| 5. Enter the amount from Form 1040, line 32 | 5. _____ |
| 6. Enter \$111,800 (\$55,900 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 29, and see the Note below | 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 29, and see the Note below | 10. _____ |

Note: Also enter on Form 1040, line 34, the **larger** of the amount you enter on Schedule A, line 29, or your standard deduction.

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: You may list more than one payer on each entry space for lines 1 and 5, but be sure to clearly show the amount paid next to the payer's name. Add the separate amounts paid by the payers listed on an entry space and enter the total in the "Amount" column. If you still need more space, attach separate sheets that are about the same size as the printed schedule. Use the same format as lines 1 and 5, and show your totals on Schedule B. Be sure to put your name and social security number (SSN) 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 15. The payer should send you a **Form 1099-INT** or **Form 1099-OID** 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.

Special Rules

Seller-Financed Mortgages. If you sold your home or other property and the buyer used the property as a personal residence, list first any interest that buyer paid you on a mortgage or other form of seller financing. Be sure to show that buyer's name, address, and SSN. You must also let that buyer know your SSN. If you don't show the buyer's name, address, and SSN, and let the buyer know your SSN, you may have to pay a \$50 penalty.

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.

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 1994 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 1994 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.

Part II. Dividend Income

To see what dividend income you must report, read the instructions for Form 1040, line 9, on page 16. 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.

Note: If, in 1994, you were an officer or director of a foreign corporation or you owned 5% or more in value of the outstanding stock of a foreign corporation, you may have to file **Form 5471**, Information Return of U.S. Persons With Respect To Certain Foreign Corporations. For details, see Form 5471 and its instructions.

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 Distri-

bution" 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 13, and write "CGD" on the dotted line next to line 13.

Your tax may be less if you can use the Capital Gain Tax Worksheet on page 25.

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 16.

Part III. Foreign Accounts and 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. You own more than 50% of the stock in any corporation that owns one or more foreign bank accounts.

2. 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.

Note: *Item 2 does not apply to foreign securities held in a U.S. securities account.*

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 35).

If you checked the **Yes** box on line 11a, file Form TD F 90-22.1 by June 30, 1995, 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 to report income or loss subject to self-employment tax from a business you operated or a profession you practiced as a sole proprietor. Also, use Schedule C to report wages and expenses you had as a statutory employee. An activity qualifies as a business if your primary purpose for engaging in the activity is for income or profit and you are involved in the activity with continuity and regularity. For example, a sporadic activity or a hobby does not qualify as a business. To report income from a nonbusiness activity, see the Instructions for Form 1040, line 21.

Small businesses and statutory employees with gross receipts of \$25,000 or less and expenses of \$2,000 or less may be able to file **Schedule C-EZ, Net Profit From Business**, instead of Schedule C. See Schedule C-EZ to find out if you qualify to file it.

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.

General Instructions

A Change To Note

The standard mileage rate has been increased to 29 cents for each mile of business use in 1994. See the instructions for line 10.

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 1994, to claim amortization that began in 1994, 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 8271 if you are claiming or you are reporting on Schedule C or C-EZ any income, deduction, loss, credit, or other tax benefit from a tax shelter.

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.

Additional Information

Get **Pub. 334**, Tax Guide for Small Business, for more details on business income and expenses.

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. If you owned more than one business, you must complete a separate Schedule C for each business. 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 D

You need an employer identification number (EIN) only if you had a Keogh plan or were required to file an employment, excise, estate, trust, 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. If you conducted the business from your home located at the address shown on Form 1040, page 1, you do not have to complete this line.

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). Income is constructively received when it is credited to your account or set aside for you to use. Also, show amounts actually paid during the year for deductible expenses.

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 I

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 1994 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.

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.

If you **do not** meet any of the above tests, check the "No" box. 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. 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 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 J

If you started or acquired this business in 1994, check the box on line J. Also, check the box if you are reopening or restarting this business after temporarily closing it, and you did not file a 1993 Schedule C or C-EZ 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 15 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 1 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 owe self-employment tax on these earnings.

Statutory employees include full-time life insurance agents, certain agent or commission drivers and traveling salespersons, 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. You cannot use Schedule C-EZ.

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 1994 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 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 1994, credit for Federal tax paid on gasoline or other fuels claimed on your 1993 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**. Also, include any recapture of the deduction for clean-fuel vehicles used in your business and clean-fuel vehicle refueling property. For more details, get **Pub. 535**, Business Expenses.

If the business use percentage of any listed property (defined in the instructions for line 13) decreased to 50% or less in 1994, 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. Also, if the business use percentage drops to 50% or less on leased listed property (other than a vehicle), include on this line any inclusion amount. Get **Pub. 534**, Depreciation, to figure the amount.

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 cer-

tain 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 8–26 and Part V 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 29 cents a mile. Add to this amount your parking fees and tolls, and enter the total on line 10.

For more details, get **Pub. 917**, Business Use of a Car.

Information on Your Vehicle. If you claim any car and truck expenses, you must provide certain information on the use of your vehicle by completing:

- Part IV of Schedule C, or Part III of Schedule C-EZ, if (a) you are claiming the standard mileage rate, you lease your vehicle, or your vehicle is fully depreciated, and (b) you are **not** required to file Form 4562 for any other reason. If you used more than one vehicle during the year, attach your own schedule with the information requested in Part IV of Schedule C, or Part III of Schedule C-EZ, for each additional vehicle.
- Part V of **Form 4562**, Depreciation and Amortization, if you are claiming depreciation on your vehicle or you are required to file Form 4562 for any other reason (see the instructions for line 13 below).

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. You can also depreciate improvements made to leased business property. However, stock in trade, inventories, and land are 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 13. For property placed in service before 1981, figure depreciation from your own books and records.

You may also choose under Internal Revenue Code section 179 to expense part of the cost of certain property you bought in 1994 for use in your business. See the Instructions for Form 4562 for more details.

When To Attach Form 4562. You must complete and attach Form 4562 **only** if:

- You are claiming depreciation on property placed in service during 1994, 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.

If you acquired depreciable property for the first time in 1994, get **Pub. 946**, How To Begin Depreciating Your Property. For a more comprehensive guide on depreciation, get **Pub. 534**, Depreciation.

Listed property generally 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.

Exceptions. 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. For purposes of these exceptions,

a portion of your home is treated as a regular business establishment only if that portion meets the requirements under Internal Revenue Code section 280A(c)(1) for deducting expenses for the business use of your home.

If the business use percentage of any listed property decreased to 50% or less in 1994, see the instructions for line 6 on page C-2.

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 21 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 1994 that applies to future years, deduct only the part that applies to 1994. 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 1994 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 1994. This statement must be sent to you by January 31, 1995. 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 5500-EZ. 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 1994	\$14,900
During 1993	14,300
During 1992	13,700
During 1991	13,400
After 1986 but before 1991	12,800

If the lease term began after June 18, 1984, but before January 1, 1987, see **Pub. 917** to find 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 on this line:

- 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. Reduce your deduction by the amount of the current year credit shown on line 4 of **Form 8846**, Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips.
- Federal highway use tax.

Do not deduct on this line:

- Federal income taxes, including your self-employment tax. However, you may deduct one-half of your self-employment tax on Form 1040, line 25.
- 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 as income on line 6.
- Other taxes not related to your business.

Line 24a

Enter your expenses for lodging and transportation connected with overnight travel for business while away from your tax home. Generally, your tax home is your main place of business regardless of where you maintain your family home. You cannot deduct expenses paid or incurred in connection with employment away from home if that period of employment exceeds 1 year. Also, you

cannot deduct travel expenses for your spouse, your dependent, or any other individual unless that person is your employee, the travel is for a bona fide business purpose, and the expenses would otherwise be deductible by that person.

Do not include expenses for meals and entertainment on this line. Instead, see the instructions for lines 24b and 24c below.

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. Also, you cannot deduct amounts paid or incurred for membership dues in any club organized for business, pleasure, recreation, or other social purpose. This includes business, social, athletic, luncheon, sporting, airline, and hotel clubs.

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** 50% 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 50% limit. Then, enter one-half of that amount 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 paid or incurred for the tax year. Do not include salaries and wages deducted elsewhere on your return or amounts paid to yourself. Reduce your deduction by the current year credits claimed on:

- **Form 5884**, Jobs Credit.
- **Form 8844**, Empowerment Zone Employment Credit.
- **Form 8845**, Indian Employment Credit.

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.

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 1994 because of the limitations can be carried over to 1995. 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. Estates and trusts should enter the total on Form 1041, line 3.

If you have a net profit on line 31, this amount is earned income and may qualify you for the earned income credit if you meet certain conditions. See the Instructions for Form 1040, line 56, on page 27 for more details.

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 1994 because of the at-risk rules is treated as a deduction allocable to the business in 1995. 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.

Part V. Other Expenses

Include all ordinary and necessary business expenses not deducted elsewhere on Schedule C. List the type and amount of each expense separately in the space pro-

vided. Enter the total on lines 46 and 27. 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. Also, you may not deduct fines or penalties paid to a government for violating any law. For more details on business expenses, see Pub. 535.

Amortization. Include amortization in this part. For amortization that begins in 1994, 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.
- Amounts paid to acquire, protect, expand, register, or defend trademarks or trade names.
- Goodwill and certain other intangibles.

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.

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 1994.

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. 960**, Capital Construction Fund for Commercial Fishermen.

Deduction for Clean-Fuel Vehicles and Clean-Fuel Vehicle Refueling Property. You may deduct part of the cost of qualified clean-fuel vehicle property used in your business and qualified clean-fuel vehicle refueling property. See Pub. 535 for more details.

Disabled Access Credit and the Deduction for Removing Barriers to Individuals with Disabilities and the Elderly. You may be able to claim a tax credit of up to \$5,000 for eligible expenditures paid or incurred in 1994 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 1994 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.

Principal Business or Professional Activity Codes (Caution: Some codes are new or have been revised. Check your code carefully.)

Locate the major category that best describes your activity. Within the major category, select the activity code that most closely identifies the business or profession that is the principal source of your sales or

receipts. **Enter this 4-digit code on line B of Schedule C or C-EZ.** For example, real estate agent is under the major category of **"Real Estate,"** and the code is "5520."

Note: If your principal source of income is from farming activities, you should file **Schedule F (Form 1040), Profit or Loss From Farming.**

<p>Agricultural Services, Forestry, Fishing Code 1990 Animal services, other than breeding 1933 Crop services 2113 Farm labor & management services 2246 Fishing, commercial 2238 Forestry, except logging 2212 Horticulture, gardening, & landscaping 2469 Hunting & trapping 1974 Livestock breeding 0836 Logging 1958 Veterinary services, including pets</p>	<p>Real Estate 5538 Operators & lessors of buildings, including residential 5553 Operators & lessors of other real property 5520 Real estate agents & brokers 5579 Real estate property managers 5710 Subdividers & developers, except cemeteries 6155 Title abstract offices</p>	<p>Hotels & Other Lodging Places 7237 Camps & camping parks 7096 Hotels, motels, & tourist homes 7211 Rooming & boarding houses Laundry & Cleaning Services 7450 Carpet & upholstery cleaning 7419 Coin-operated laundries & dry cleaning 7435 Full-service laundry, dry cleaning, & garment service 7476 Janitorial & related services (building, house, & window cleaning)</p>	<p>3081 Eating places, fast food 3079 Full service restaurants 3210 Grocery stores (general line) 3251 Liquor stores 3236 Specialized food stores (meat, produce, candy, health food, etc.)</p>
<p>Construction 0018 Operative builders (for own account) Building Trades, Including Repairs 0414 Carpentering & flooring 0455 Concrete work 0273 Electrical work 0299 Masonry, dry wall, stone, & tile 0257 Painting & paper hanging 0232 Plumbing, heating, & air conditioning 0430 Roofing, siding, & sheet metal 0885 Other building trade contractors (excavation, glazing, etc.)</p>	<p>Services: Personal, Professional, & Business Services Amusement & Recreational Services 9670 Bowling centers 9688 Motion picture & tape distribution & allied services 9597 Motion picture & video production 9639 Motion picture theaters 8557 Physical fitness facilities 9696 Professional sports & racing, including promoters & managers 9811 Theatrical performers, musicians, agents, producers, & related services 9613 Video tape rental 9837 Other amusement & recreational services</p>	<p>Medical & Health Services 9274 Chiropractors 9233 Dentist's office or clinic 9217 Doctor's (M.D.) office or clinic 9456 Medical & dental laboratories 9472 Nursing & personal care facilities 9290 Optometrists 9258 Osteopathic physicians & surgeons 9241 Podiatrists 9415 Registered & practical nurses 9431 Offices & clinics of other health practitioners (dietitians, midwives, speech pathologists, etc.) 9886 Other health services</p>	<p>Furniture & General Merchandise 3988 Computer & software stores 3970 Furniture stores 4317 Home furnishings stores (china, floor coverings, drapes) 4119 Household appliance stores 4333 Music & record stores 3996 TV, audio & electronic stores 3715 Variety stores 3731 Other general merchandise stores</p>
<p>General Contractors 0075 Highway & street construction 0059 Nonresidential building 0034 Residential building 3889 Other heavy construction (pipe laying, bridge construction, etc.)</p>	<p>Automotive Services 8813 Automotive rental or leasing, without driver 8953 Automotive repairs, general & specialized 8839 Parking, except valet 8896 Other automotive services (wash, towing, etc.)</p>	<p>Miscellaneous Repair, Except Computers 9019 Audio equipment & TV repair 9035 Electrical & electronic equipment repair, except audio & TV 9050 Furniture repair & reupholstery 2881 Other equipment repair</p>	<p>Miscellaneous Retail Stores 4812 Boat dealers 5017 Book stores, excluding newsstands 4853 Camera & photo supply stores 3277 Drug stores 5058 Fabric & needlework stores 4655 Florists 5090 Fuel dealers (except gasoline) 4630 Gift, novelty, & souvenir shops 4838 Hobby, toy, & game shops 4671 Jewelry stores 4895 Luggage & leather goods stores 5074 Mobile home dealers 4879 Optical goods stores 4697 Sporting goods & bicycle shops 5033 Stationery stores 4614 Used merchandise & antique stores (except motor vehicle parts) 5884 Other retail stores</p>
<p>Finance, Insurance, & Related Services 6064 Brokers & dealers of securities 6080 Commodity contracts brokers & dealers; security & commodity exchanges 6148 Credit institutions & mortgage bankers 5702 Insurance agents or brokers 5744 Insurance services (appraisal, consulting, inspection, etc.) 6130 Investment advisors & services 5777 Other financial services</p>	<p>Business & Personal Services 7658 Accounting & bookkeeping 7716 Advertising, except direct mail 7682 Architectural services 6883 Authors & artists 8318 Barber shop (or barber) 8110 Beauty shop (or beautician) 8714 Child day care 7872 Computer programming, processing, data preparation & related services 7922 Computer repair, maintenance, & leasing 7286 Consulting services 7799 Consumer credit reporting & collection services 8755 Counseling (except health practitioners) 7732 Employment agencies & personnel supply 7518 Engineering services 7773 Equipment rental & leasing (except computer or automotive) 8532 Funeral services & crematories 7633 Income tax preparation 7914 Investigative & protective services 7617 Legal services (or lawyer) 7856 Mailing, reproduction, commercial art, photography, & stenographic services 7245 Management services 8771 Ministers & chaplains 8334 Photographic studios 7260 Public relations 8733 Research services 7708 Surveying services 8730 Teaching or tutoring 7880 Other business services 6882 Other personal services</p>	<p>Trade, Retail—Selling Goods to Individuals & Households 3038 Catalog or mail order 3046 Flea markets or shows 3012 Selling door to door, by telephone or party plan, or from mobile unit 3053 Vending machine selling Selling From Showroom, Store, or Other Fixed Location Apparel & Accessories 3921 Accessory & specialty stores & furriers for women 3939 Clothing, family 3772 Clothing, men's & boys' 3913 Clothing, women's 3756 Shoe stores 3954 Other apparel & accessory stores Automotive & Service Stations 3558 Gasoline service stations 3319 New car dealers (franchised) 3533 Tires, accessories, & parts 3335 Used car dealers 3517 Other automotive dealers (motorcycles, recreational vehicles, etc.)</p>	<p>Trade, Wholesale—Selling Goods to Other Businesses, etc. Durable Goods, Including Machinery Equipment, Wood, Metals, etc. 2634 Agent or broker for other firms—more than 50% of gross sales on commission 2618 Selling for your own account Nonurable Goods, Including Food, Fiber, Chemicals, etc. 2675 Agent or broker for other firms—more than 50% of gross sales on commission 2659 Selling for your own account</p>
<p>Manufacturing, Including Printing & Publishing 0679 Apparel & other textile products 1115 Electric & electronic equipment 1073 Fabricated metal products 0638 Food products & beverages 0810 Furniture & fixtures 0695 Leather footwear, handbags, etc. 0836 Lumber & other wood products 1099 Machinery & machine shops 0877 Paper & allied products 1057 Primary metal industries 0851 Printing & publishing 1032 Stone, clay, & glass products 0653 Textile mill products 1883 Other manufacturing industries</p>	<p>7245 Management services 8771 Ministers & chaplains 8334 Photographic studios 7260 Public relations 8733 Research services 7708 Surveying services 8730 Teaching or tutoring 7880 Other business services 6882 Other personal services</p>	<p>Building, Hardware, & Garden Supply 4416 Building materials dealers 4457 Hardware stores 4473 Nurseries & garden supply stores 4432 Paint, glass, & wallpaper stores Food & Beverages 0612 Bakeries selling at retail 3086 Catering services 3095 Drinking places (bars, taverns, pubs, saloons, etc.)</p>	<p>Transportation, Communications, Public Utilities, & Related Services 6619 Air transportation 6312 Bus & limousine transportation 6676 Communication services 6395 Courier or package delivery 6361 Highway passenger transportation (except chartered service) 6536 Public warehousing 6114 Taxicabs 6510 Trash collection without own dump 6635 Travel agents & tour operators 6338 Trucking (except trash collection) 6692 Utilities (dumps, snow plowing, road cleaning, etc.) 6551 Water transportation 6650 Other transportation services 8888 Unable to classify</p>

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

Purpose of Schedule

Use Schedule D to report:

- The sale or exchange of a capital asset.
- Gains from involuntary conversions (other than from casualty or theft) of capital assets not held for business or profit.
- Capital gain distributions not reported directly on Form 1040, line 13.
- Nonbusiness bad debts.

Other Forms You May Have To File

Use **Form 4797**, *Sales of Business Property*, to report the following:

- The sale or exchange of property used in a trade or business; depreciable and amortizable property; oil, gas, geothermal, or other mineral property; and section 126 property.
- The involuntary conversion (other than from casualty or theft) of property used in a trade or business and capital assets held for business or profit.
- The disposition of noncapital assets other than inventory or property held primarily for sale to customers in the ordinary course of your trade or business.
- Ordinary loss on the sale, exchange, or worthlessness of small business (section 1244) stock.

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 **Like-Kind Exchanges** 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 sim-

ilar 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.

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.

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.

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 may then be 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.
- 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.
- 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.
- 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.

Wash Sales

A wash sale occurs when you sell or otherwise dispose of stock or securities (including a contract or option to acquire or sell stock or securities) at a loss and, within 30 days before or after the sale or disposition, you directly or indirectly:

1. Buy substantially identical stock or securities,
2. Acquire substantially identical stock or securities in a fully taxable trade, or
3. Enter into a contract or option to acquire substantially identical stock or securities.

You cannot deduct losses from wash sales, unless the loss was incurred in the ordinary course of your business as a dealer in stock or securities. The basis of the substantially identical stock or securities you acquired (or the contract or option to acquire such stock or securities) is its cost increased by the disallowed loss. For more details on wash sales, see Pub. 550.

Report a wash sale transaction on line 1 or line 9. Show the full amount of the loss in column (f). On the next line, enter "Wash Sale" in column (a) and the amount of the loss not allowed in column (g).

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.

Like-Kind Exchanges

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, include the

gain or loss from Form 8824, if any, on line 4 or line 12 in column (f) or (g).

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 1 or 9, depending on how long you owned the home. Complete columns (a) through (e). Because the loss is not deductible, write "Personal Loss" across columns (f) and (g).

Specialized Small Business Investment Companies (SSBICs)

If you sold publicly traded securities, you may be able to postpone all or part of the gain on that sale if you bought common stock or a partnership interest in an SSBIC during the 60-day period that began on the day of the sale. An SSBIC is any partnership or corporation licensed by the Small Business Administration under section 301(d) of the Small Business Investment Act of 1958. You must recognize gain on the sale to the extent the proceeds from the sale exceed the cost of your SSBIC stock or partnership interest purchased during the 60-day period that began on the date of the sale (and not previously taken into account). The gain you postpone is limited to \$50,000 a year and \$500,000 during your lifetime. (Reduce these dollar amounts by one-half if you are married filing separately.) The basis of your SSBIC stock or partnership interest is reduced by any postponed gain.

If you choose to postpone gain, report the entire gain realized on the sale on line 1 or 9. Directly below the line on which you reported the gain, enter in column (a) "SSBIC Rollover" and in column (f) the amount of the postponed gain. Also attach a schedule showing (a) how you figured the postponed gain, (b) the name of the SSBIC in which you purchased common stock or a partnership interest, (c) the date of that purchase, and (d) your new basis in that SSBIC stock or partnership interest.

Partnership Interests

A sale or other disposition of an interest in a partnership may result in ordinary income. Get **Pub. 541**, Tax Information on Partnerships.

Regulated Investment Companies

Include on line 12 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 in-

cluded 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 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.

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 1994 from a sale made in an earlier year that you reported on the installment method. To elect out of the installment method, report the full amount of the gain on Schedule D on a timely filed return (including extensions).

Section 1256 Contracts and Straddles

Use **Form 6781**, Gains and Losses From Section 1256 Contracts and Straddles, to report these transactions. Include the amounts from Form 6781 on lines 4 and 12.

Specific Instructions

Parts I and II

Column (b)—Date Acquired

Enter in this column the date the asset was acquired. Use the trade date for stocks and bonds traded on an exchange or over-the-counter market. 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 disposed of property that you acquired by inheritance, report it on line 9 and write "**INHERITED**" in column (b) instead of the date you acquired the property.

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

Enter in this column the date the asset was sold. Use the trade date for stocks and bonds traded on an exchange or over-the-counter market. 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 from the sale 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 1 and 9, column (d), to amounts on lines 2 and 10, column (d). Enter the totals on lines 3 and 11.

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.

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 while 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. See Pub. 544 for details.

Increase the cost or other basis of an original issue discount (OID) debt instrument 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 1 and 9

Enter all sales and exchanges of capital assets, including stocks, bonds, etc., and real estate (if not reported on Form 2119, 4684, 4797, 6252, 6781, 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 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 lines 20 and 22 on page 2 of Schedule D if you need more space to list transactions for lines 1 and 9. You may use as many

copies of page 2 of Schedule D as you need. Enter on Schedule D, lines 2 and 10, columns (d), (f), and (g) the combined totals of all your copies of page 2 of Schedule D.

Caution: Add the following amounts reported to you for 1994 on Forms 1099-B and 1099-S (or on substitute statements):

1. Proceeds from transactions involving stocks, bonds, and other securities, and
2. Gross proceeds from real estate transactions not reported on another form or schedule.

If this total is **more** than the total of lines 3 and 11, attach a statement explaining the difference.

Capital Loss Carryover Worksheet (keep for your records)

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. Use this worksheet to figure your capital loss carryovers from 1994 to 1995 if Schedule D, line 19, is a loss and (a) that loss is a smaller loss than the loss on Schedule D, line 18, or (b) Form 1040, line 35, is a loss.

- | | |
|--|-----------|
| 1. Enter the amount from Form 1040, line 35. If a loss, enclose the amount in parentheses | 1. _____ |
| 2. Enter the loss from Schedule D, line 19, as a positive amount | 2. _____ |
| 3. Combine lines 1 and 2. If zero or less, enter -0- | 3. _____ |
| 4. Enter the smaller of line 2 or line 3 | 4. _____ |
| Note: If line 8 of Schedule D is a loss, go to line 5; otherwise, enter -0- on line 5 and go to line 10. | |
| 5. Enter the loss from Schedule D, line 8, as a positive amount | 5. _____ |
| 6. Enter the gain, if any, from Schedule D, line 17 | 6. _____ |
| 7. Enter the amount from line 4 | 7. _____ |
| 8. Add lines 6 and 7 | 8. _____ |
| 9. Short-term capital loss carryover to 1995. Subtract line 8 from line 5. If zero or less, enter -0- | 9. _____ |
| Note: If line 17 of Schedule D is a loss, go to line 10; otherwise, skip lines 10 through 14. | |
| 10. Enter the loss from Schedule D, line 17, as a positive amount | 10. _____ |
| 11. Enter the gain, if any, from Schedule D, line 8 | 11. _____ |
| 12. Subtract line 5 from line 4. If zero or less, enter -0- | 12. _____ |
| 13. Add lines 11 and 12 | 13. _____ |
| 14. Long-term capital loss carryover to 1995. Subtract line 13 from line 10. If zero or less, enter -0- | 14. _____ |

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).

A Change To Note. Beginning in 1994, certain individuals who materially participate in real property trades or businesses are not subject to the passive activity limitations on losses from rental real estate activities in which they materially participate. For more details, see **Exception for Real Estate Professionals** on page E-3.

Part I

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. 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.

Do not use Schedule E to report income and expenses from the rental of personal property, such as equipment or vehicles. Instead, use Schedule C or C-EZ if you are in the business of renting personal property. Your rental of personal property is a business if the primary purpose for renting the property is income or profit, and you are involved in the rental activity with continuity and regularity. If your rental of personal property is not a business, see the Instructions for Form 1040, lines 21 and 30, to find out how to report the income and expenses.

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 for personal purposes 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.

If the property is a dwelling unit, check "Yes" if you or your family used the unit for personal purposes in 1994 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.

Otherwise, check "No."

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.

Days Not Counted As Personal Use. The following days you spent at the dwelling unit are not counted as personal use:

- Any day you spent working substantially full time repairing and maintaining the unit, even if family members used it for recreational purposes on that day.
- The days you used the unit as your main home before or after renting it or offering it for rent, if you rented or tried to rent it for at least 12 consecutive months (or for a period of less than 12 consecutive months at the end of which you sold or exchanged it).

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 allowable 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 1995. 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 details, call Tele-Tax (see page 38) and listen to topic 414 or see Pub. 527.

Rental Income From Farm Production or Crop Shares. Report farm rental income and expenses on Form 4835 if (a) you received rental income based on crops or livestock produced by the tenant, and (b) 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.

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 1994, you should receive a **Form 1099-MISC**, or similar statement, showing them. The payer must send this statement to you by January 31, 1995.

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 taxes withheld by the producer on line 16.

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, 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 or Deduction for Access Expenditures. You may be able to claim a tax credit for eligible expenditures paid or incurred in 1994 to provide access to your business for individuals with disabilities. Get **Form 8826**, Disabled Access Credit, for details.

You can also deduct up to \$15,000 of qualified costs paid or incurred in 1994 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, for details.

Line 6

You may deduct ordinary and necessary auto and travel expenses, including 50% of meals incurred while traveling away from home, 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, 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 29 cents a mile. Include this amount and your parking fees and tolls 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. See Pub. 535 for details.

If you have a mortgage on your rental property, enter on line 12 the interest you paid for 1994 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 January 31, 1995, showing the total interest received from you during 1994. 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 1994, or
- You are claiming depreciation on listed property (defined in the Instructions for Form 4562), including a vehicle, 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 1994.

If you acquired depreciable property for the first time in 1994, 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." Attach Form 6198 to your return.

Line 23

Enter 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. 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 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, rental real estate losses allowed under the exception for real estate professionals (explained below), 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, include in your modified adjusted gross income 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, except as provided below, any rental activity. See the Instructions for Form 8582 to determine whether you materially participated in a business or rental 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**, Passive Activity and At-Risk Rules, 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.

Exception for Real Estate Professionals. If you were a real estate professional for 1994, any rental real estate activity in which you materially participated is not a passive activity. You were a **real estate professional** only if you met **both** of the following conditions.

1. More than half of the personal services you performed in trades or businesses were performed in real property trades or businesses in which you materially participated, and
2. You performed more than 750 hours of services in real property trades or businesses in which you materially participated.

For purposes of this rule, each interest in rental real estate is a separate activity, unless you elect to treat all interests in rental real estate as one activity.

If you are married filing jointly, either you or your spouse must separately meet both of the above conditions, without taking into account services performed by the other spouse.

A real property trade or business is any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage trade or business. Services you performed as an employee are not treated as performed in a real property trade or business unless you owned more than 5% of the stock (or more than 5% of the capital or profits interest) in the employer.

If you were a real estate professional for 1994, complete line 42 on page 2.

Other Exceptions. 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

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 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 name, tax shelter registration number, and identifying number of 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 preferences and adjustments from these entities on **Form 6251**, Alternative Minimum Tax—Individuals, or Schedule H of **Form 1041**, U.S. Income Tax Return 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

See the Schedule K-1 instructions before entering on your return other partnership items from a passive activity or income or loss from any publicly traded partnership.

If you have other partnership items, such as depletion, from a nonpassive activity, show each item on a separate line in Part II. You may deduct unreimbursed ordinary and necessary expenses you paid on behalf of the partnership if you were required to pay these expenses under the partnership agreement. Enter deductible unreimbursed partnership expenses from nonpassive activities on a separate line in column (i) of Part II. Enter on Schedule A any unreimbursed partnership expenses deductible as itemized deductions. 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 1993 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 1993.

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 Form 1040, line 9. 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 1994, the trust had a U.S. beneficiary. For details, get **Form 3520-A**, Annual Return of Foreign Trust With U.S. Beneficiaries.

Part IV

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 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 1994. 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.*

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 22.

Part V

Line 41

You will not be charged a penalty for underpayment of estimated tax if:

1. Your gross farming or fishing income for 1993 or 1994 is at least two-thirds of your gross income, and
 2. You file your 1994 tax return and pay the tax due by March 1, 1995.
-

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 29 cents for each mile of business use in 1994. See the instructions for line 12.

Other Schedules and Forms You May Have To File

Schedule E to report rental income from pastureland 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 1994, to claim amortization that began in 1994, or to report information on vehicles and other 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 1994 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 1993 or 1994 is at least two-thirds of your gross income.

2. You file your 1994 tax return and pay the tax due by March 1, 1995.

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, estate, trust, partnership, 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

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.

Forms 1099 or CCC-1099-G

If you received Forms 1099 or CCC-1099-G 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-1099-G 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-1099-G (for disaster payments)	Line 8a
Forms 1099-G or CCC-1099-G (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 1994, 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-1099-G from the Department of Agriculture showing the amounts and types of payments made to you.

- Price support payments.
- Market gain from the repayment of a secured Commodity Credit Corporation (CCC) loan for less than the original loan amount.
- 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, do not report the market gain shown on Form CCC-1099-G on line 6b if you elected to report CCC loan proceeds as income in the year received (see lines 7a through 7c below). No gain results from redemption of the commodity because you previously reported the CCC loan proceeds as income. You are treated as repurchasing the commodity for the amount of the loan repayment. However, if you did not report

the CCC loan proceeds under the election, you must report the market gain on line 6b.

Lines 7a through 7c

Commodity Credit Corporation 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 1994 on line 7a. Attach a statement to your return showing the details of the loan(s).

Forfeited CCC Loans. 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.

CCC Loans Repaid 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 or forfeiting CCC loans, 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 1994 was the year of damage, you may elect to include certain proceeds in income for 1995. 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 1994, even if you elect to include them in income for 1995.

Enter on line 8b the taxable amount of the proceeds you received in 1994. Do not include proceeds you elect to include in income for 1995.

Enter on line 8d the amount, if any, of crop insurance proceeds you received in 1993 and elected to include in income for 1994.

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. If a Federal agency, financial institution, or credit union canceled or forgave a debt you owed of \$600 or more, it should send you a **Form 1099-C**, Cancellation of Debt, or similar statement, by January 31, 1995, showing the amount of debt canceled in 1994. 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 1994.
 - The amount of credit for Federal tax paid on fuels claimed on your 1993 Form 1040.
 - The amount of credit for alcohol used as a fuel that was entered on **Form 6478**.
 - Any recapture of excess depreciation, including any section 179 expense deduction, if the business use percentage of any listed property decreased to 50% or less in 1994. Use **Form 4797**, Sales of Business Property, to figure the recapture. See the instructions for **Schedule C** (Form 1040), line 13, on page C-3 for the definition of listed property.
 - The inclusion amount on leased listed property (other than vehicles) when the business use percentage drops to 50% or less. Get **Pub. 534**, Depreciation, to figure the amount.
 - Any recapture of the deduction for clean-fuel vehicles used in your business and clean-fuel vehicle refueling property. For details on how to figure recapture, get **Pub. 535**, Business Expenses.
 - The gain or loss on the sale of commodity futures contracts 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 both the hedging transaction and the item(s) or aggregate risk that is being hedged.
- 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.
- Inventory losses.
- 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.

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 Farm Supplies. Generally, if you use the cash method of accounting and your prepaid farm supplies are more than 50% of your other deductible farm expenses, your deduction for those supplies may be limited. Prepaid farm supplies include expenses for feed, seed, fertilizer, and similar farm supplies not used or consumed during the year. They also include the cost of poultry that would be allowable as a deduction in a later tax year if you were to (a) capitalize the cost of poultry bought for use in your farm business and deduct it ratably over the lesser of 12 months or the useful life of the poultry, and (b) deduct the cost of poultry bought for resale in the year you sell or otherwise dispose of it. If the limit applies, you can deduct prepaid farm supplies that do not exceed 50% of your other deductible farm expenses in the year of payment. You can deduct the excess only in the year you use or consume the supplies (other than poultry, which is deductible as explained above). For exceptions and more details on these rules, 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 29 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**, Depreciation and Amortization. Be sure to 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 cannot deduct the expenses if they were paid or incurred for land used in farming in a foreign country. 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, the excess may be carried forward and deducted in later tax years. However, the amount deductible for any 1 year may not exceed the 25% gross income limit for that year. 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. You should 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 1994 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 21 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 Farm Supplies** 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 on this line premiums paid for farm business insurance. Deduct on line 17 amounts paid for employee accident and health insurance.

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 are not deductible.

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 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 1994 to banks or other financial institutions for which you received a **Form 1098**, Mortgage Interest Statement.

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 1994. This statement must be sent to you by January 31, 1995. 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 1994 for later years; include only the part that applies to 1994.

Line 24

Enter the amounts you paid for farm labor. Do not include amounts paid to yourself. Reduce your deduction by the current year credits claimed on:

- **Form 5884**, Jobs Credit.
- **Form 8844**, Empowerment Zone Employment Credit.
- **Form 8845**, Indian Employment Credit.

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 on this line:

- 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.
- Federal highway use tax.

Do not deduct on this line:

- Federal income taxes, including your self-employment tax. However, you may deduct one-half of your self-employment tax on Form 1040, line 25.

- 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. Do not include fines or penalties paid to a government for violating any law.

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 1994, 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 1994.

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.

Deduction for Clean-Fuel Vehicles and Clean-Fuel Vehicle Refueling Property. You may deduct part of the cost of qualified clean-fuel vehicle property used in your business and qualified clean-fuel vehicle refueling property. See Pub. 535 for more details.

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 50% 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 1994

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 18, and Schedule SE, line 1. Estates and trusts should enter the net profit or deductible loss here and on Form 1041, line 6. Partnerships should stop here and enter the profit or loss on this line and on Form 1065, line 5.

If you have a net profit on line 36, this amount is earned income and may qualify you for the earned income credit if you meet certain conditions. See the Instructions for Form 1040, line 56, on page 27 for more details.

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 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.

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 1994 because of the at-risk rules is treated as a deduction allocable to the activity in 1995.

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, on page F-3.

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

Changes To Note

- Beginning in 1994, the limit on the amount of self-employment income subject to the 2.9% Medicare tax has been repealed. You now must pay the Medicare tax on the entire amount of your net earnings from self-employment of at least \$400 (\$108.28 if church employee income).
- For 1994, the maximum amount of self-employment income subject to social security tax is \$60,600.

Who Must File Schedule SE

You must file Schedule SE if:

- 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.

Who Must Pay Self-Employment Tax?

Self-Employed Persons

You must pay SE tax if you had net earnings as a self-employed person of \$400 or more. If you are in business for yourself, or you are a farmer, for example, you are self-employed.

You must also pay SE tax on your share of certain partnership income and your guaranteed payments. 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 must pay 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 an exemption from employer social security and Medicare taxes.

Ministers and Members of Religious Orders

You must pay SE tax on salaries and other income for services you performed as a minister or member of a religious order, unless you received approval from the IRS for an

exemption from SE tax. See **Who Is Exempt From Self-Employment Tax?** on this page. If you must pay SE tax, include this income on line 2 of either Short or Long Schedule SE. But do not report it on line 5a of Long Schedule SE; it is not considered church employee income. Also include on line 2:

- The rental value of a home or an allowance for a home furnished to you (including payments for utilities), and
- The value of meals and lodging provided to you, your spouse, and your dependents for your employer's convenience.

If you were a duly ordained minister who was an employee of a church and you must pay SE tax, the unreimbursed business expenses that you incurred as a church employee are allowed only as an itemized deduction for income tax purposes. Subtract the allowable amount from your SE earnings when figuring SE tax.

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 must pay SE tax, you may not reduce your net earnings by the foreign housing exclusion or deduction.

For more details, get **Pub. 517, Social Security and Other Information for Members of the Clergy and Religious Workers**.

U.S. Citizens Employed by Foreign Governments or International Organizations

You must pay SE tax on income you earned as 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 exempt from 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 must pay SE tax. You may not reduce your foreign earnings from self-employment by your foreign earned income exclusion.

Who Is Exempt From Self-Employment Tax?

In most cases, you must pay SE tax on net earnings you received 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 be exempt from 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 you received approval from the IRS for an exemption from paying 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 revoke 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 exempt from 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.

See Pub. 517 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 of 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.

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). General partners should 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 a partner died and the partnership continued, include in SE income the deceased's distributive share of the partnership's ordinary income or loss through the end of the month in which he or she died. See Internal Revenue Code section 1402(f).

If you were married and both you and your spouse were partners in a partnership, each of you must pay 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.

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 paid another person (an agent) to do 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 materially participated in the production or management of the production of farm products on this land. This income is farm earnings. To determine whether you materially participated 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 participating 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 age 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.
- 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.
- 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 paid to you 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 payments 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 receive 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 receive 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 required to check the box on line 1 of Schedule C or C-EZ because you were a statutory employee, **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.

Optional Methods

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.

Note: *Using the optional methods may give you the benefits described above but they may also increase your self-employment tax.*

Farm Optional Method

You may use this method to figure your net earnings from farm self-employment if your gross farm income was \$2,400 or less **OR** your gross farm income was more than \$2,400 but your net farm profits (defined below) were less than \$1,733. There is no limit on how many years you can use this method.

Under this method, you report on line 15, Part II, two-thirds of your gross farm income, up to \$1,600, as your net earnings. This method can increase or decrease your net SE farm earnings even if the farming business had a loss.

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

You may be able to use this method to figure your net earnings from nonfarm self-employment if your nonfarm profits (defined below) were less than \$1,733, and also less than 72.189% of your gross nonfarm income. To use this method, you also must be regularly self-employed. You meet this requirement if your actual net earnings from self-employment were \$400 or more in 2 of the 3 years preceding the year 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. Use of the nonfarm optional method from nonfarm self-employment is limited to 5 years. The 5 years do not have to be consecutive.

Under this method, you report on line 17, 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.

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.

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.

Index to Instructions

A	
Address Change	12 and 34
Addresses of Internal Revenue Service Centers	10
Adjustments to Income	19
Advance Earned Income Credit Payments	7 and 26
After School Child Care Expenses	24
Alimony Paid	22
Alimony Received	16
Alternative Minimum Tax	25
Amended Return	34
Amount You Owe (or Refund)	32
Annuities	17
At-Risk Rules	C-5*, E-2*, and F-5*
Attachments to the Return	33
Automated Refund Information	38
B	
Backup Withholding	27
Birth or Death of Dependent	13
Blindness—Proof of	23
Business Income and Expenses (Schedule C)	C-1*
Business Use of Home	A-5 and C-5*
C	
Capital Gains and Losses (Schedule D)	D-1*
Capital Gain Distributions	16
Casualty and Theft Losses	A-4
Charity—Gifts to	A-3
Child and Dependent Care Expenses— Credit for	24
Children of Divorced or Separated Parents— Exemption for	14
Community Property States	15
Contributions To Reduce the Public Debt	34
Corresponding With the IRS	34
Credits Against Tax	24
Customer Service Standards	3
D	
Day-Care Center Expenses	24
Death of Taxpayer	34
Debt, Gift To Reduce the Public	34
Dependent Care Benefits	15
Dependents— Exemptions for	13
Standard Deduction	23
Desert Storm	7
Dividends, Other Distributions	16 and B-1
Divorced or Separated Parents—Children of	14
Dual-Status Aliens	8 and 12
E	
Earned Income Credit	7 and 27
Educational Expenses	A-5
Electronic Filing	5
Elderly Persons— Expenses for Care of	24
Standard Deduction	23
Employee Business Expenses	A-5
Employer-Provided Vehicle	15
Estates and Trusts	E-4*
Estimated Tax	27 and 34
Excess Social Security and RRTA Tax Withheld	32
Exemptions	13
Extension of Time To File	9 and 32
F	
Farm Income and Expenses (Schedule F)	F-1*
Filing Requirements	8-11
Filing Status	12
Foreign Accounts and Trusts	B-2
Form W-2	15
Forms W-2, 1098, and 1099, Where To Report Certain Items From	11
Forms, How To Get	35
Frequently Asked Questions, Answers to	6

G	
General Information	34-39
Gifts to Charity	A-3
Golden Parachute Payments	27
Group-Term Life Insurance, Uncollected Tax on	26
H	
Head of Household	13
Health Insurance Deduction— Self-Employed	7 and 21
Home, Sale of	D-2*
I	
Income Tax Withholding (Federal)	27 and 34
Individual Retirement Arrangements (IRAs)— Contributions to (lines 23a and 23b)	19
Distributions from (lines 15a and 15b)	17
Nondeductible Contributions to	17 and 20
Injured Spouse Claim	32
Installment Payments	33
Interest You Paid	A-2
Interest Income— Exclusion of Interest From Savings Bonds	B-1
Taxable	15 and B-1
Tax-Exempt	16 and B-1
Interest—Late Payment of Tax	40
Interest—Penalty on Early Withdrawal of Savings	22
Itemized Deductions or Standard Deduction	23
K	
Keogh Plan—Deduction for	22
L	
Line Instructions for Form 1040	12
Lump-Sum Distributions	18
M	
Married Persons— Filing Joint or Separate Returns	12
Who Live Apart	13
Medical and Dental Expenses	A-1
Miscellaneous Itemized Deductions—Subject to 2% AGI Limit	A-4
Mortgage Interest Credit	25 and A-3
Moving Expenses	21 and A-5
N	
Name Change	12 and 34
National Debt, Gift To Reduce the Nonresident Alien— Exemption for Spouse	13
Filing a Joint Return	12
Who Must File	8
Nontaxable Income (Examples)	18
O	
Order Blank for Forms, Instructions, and Publications	35
Original Issue Discount (OID)	B-1
Other Income	18
Other Taxes	25
P	
Partnerships	E-4*
Passive Activity— Losses	C-2*, E-3*, and F-1*
Material Participation	C-2* and F-1*
Payments	27
Penalty— Early Withdrawal of Savings	22
Estimated Tax	33
Frivolous Return	40
Late Filing	40
Late Payment	40
Other	40
Pensions and Annuities	17

Preparer—Tax Return	33
Presidential Election \$3 Check-Off	12
Privacy and Paperwork Reduction Act Notice	4
Problems, Unresolved Tax	5
Public Debt, Gift To Reduce the	34
Publications, How To Get	35
R	
Railroad Retirement Benefits— Treated as a Pension	17
Treated as Social Security	18
Records—How Long To Keep	34
Refund or Amount You Owe	32
Refunds, Credits, or Offsets of State and Local Income Taxes	16
Rental Income and Expenses (Schedule E)	E-1*
Retirement Plan Deduction, Keogh	22
Rights of Taxpayers	34
Rollovers	17
Rounding Off to Whole Dollars	15
Royalties	E-1*
S	
Sale of Home	D-2*
Schedules, Instructions for	A-1
Scholarship and Fellowship Grants	15
S Corporations	E-4*
Self-Employment Tax— Income Subject to	SE-2*
Deduction for One-Half of	21
Signing Your Return	33
Social Security and Equivalent Railroad Retirement Benefits	18
Social Security Number	7, 12, and 34
Standard Deduction or Itemized Deductions	23
State and Local Income Taxes— Taxable Refunds, Credits, or Offsets of	16
Statutory Employees	15, C-2*, and C-5*
Student Dependents—Exemption for	14
T	
Tax— Computation	23
Figured by the IRS	24
Other— Alternative Minimum Tax	25
Lump-Sum Distributions	18
Qualified Retirement Plans, Including IRAs	26
Recapture	26
Section 72(m)(5)	26
Self-Employment Tax	SE-1*
Tax Rate Schedules	53
Tax Table	41-52
Taxes You Paid	A-1
Telephone Assistance— Federal Tax Information	37-39
Tele-Tax Information	38-39
Tip Income	15 and 26
Tips Reported to Employer, Uncollected Tax On	26
Trusts—Foreign	B-2
U	
Unemployment Compensation	18
U.S. Citizens and Resident Aliens Living Abroad	8 and 15
W	
When To File	9
Where To File	10
Which Form To File	9
Who Must File	8-9
Who Should File	8
Widows and Widowers, Qualifying	13
Winnings—Prizes, Gambling, and Lotteries (Other Income)	18
Withholding—Federal Income Tax	27 and 34

* These items may not be included in this package. To reduce printing costs, we've sent you only the forms you may need based on what you filed last year.

Major Categories of Federal Income and Outlays for Fiscal Year 1993

On or before the first Monday in February of each year, the President is required by law to submit to the Congress a budget proposal for the fiscal year that begins the following October. The budget plan sets forth the President's proposed receipts, spending, and the deficit for the Federal Government. The plan includes recommendations for new legislation as well as recommendations to change, eliminate, and add programs. After receipt of the President's proposal, the Congress reviews the proposal and makes changes. It first passes a budget resolution setting its own targets for receipts, outlays, and the deficit. Individual spending and revenue bills are then enacted consistent with the goals of the budget resolution.

In fiscal year 1993 (which began on October 1, 1992, and ended on September 30, 1993), Federal income was \$1,154 billion and outlays were \$1,408 billion, leaving a deficit of \$255 billion.

Federal Income

Income and social insurance taxes are, by far, the largest source of receipts. In 1993, individuals paid \$510 billion in income taxes and corporations paid \$118 billion. Social security and other insurance and retirement contributions were \$428 billion. Excise taxes were \$48 billion. The remaining \$50 billion of receipts were from Federal Reserve deposits, customs duties, estate and gift taxes, and other miscellaneous receipts.

Federal Outlays

About 82% of total outlays were financed by tax receipts and the remaining 18% were financed by borrowing. Government receipts and borrowing finance a wide range of public services. The following is the breakdown of total outlays for fiscal year 1993*:

1. Social security, Medicare, and other retirement: \$500 billion. These programs were 35% of total outlays. These programs provide income support for the retired and disabled and medical care for the elderly.

2. National defense, veterans, and foreign affairs: \$344 billion. About 20% of total outlays were to equip, modernize, and pay our armed forces and to fund other national defense activities; nearly 3% went for veterans benefits and services; and about 1% went for international activities, including military and economic assistance to foreign countries and the maintenance of U.S. embassies abroad.

3. Net interest: \$199 billion. About 14% of total outlays were for net interest payments on the public debt.

4. Physical, human, and community development: \$119 billion. About 8% of total outlays were for agriculture; natural resources and environmental programs; transportation programs; aid for elementary and secondary education and direct assistance to college students; job training programs; deposit insurance, commerce and housing credit, and community development; and space, energy, and general science programs.

5. Social programs: \$254 billion. The Federal Government spent 11% of total outlays to fund Medicaid, food stamps, aid

to families with dependent children, supplemental security income, and related programs. About 6% was spent for health research and public health programs, unemployment compensation, assisted housing, and social services.

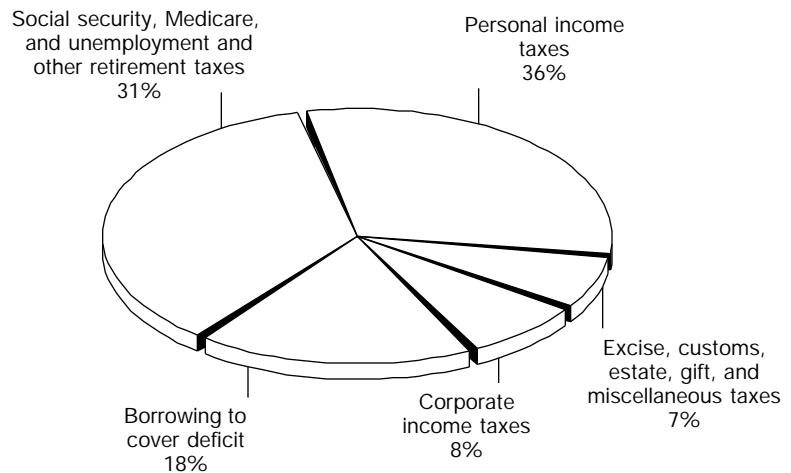
6. Law enforcement and general government: \$28 billion. About 2% of total outlays were for judicial activities, Federal law enforcement, and prisons; and to provide for the general costs of the Federal Government, including the collection of taxes and legislative activities.

Note: The above outlay amounts do not total to \$1,408 billion due to rounding.

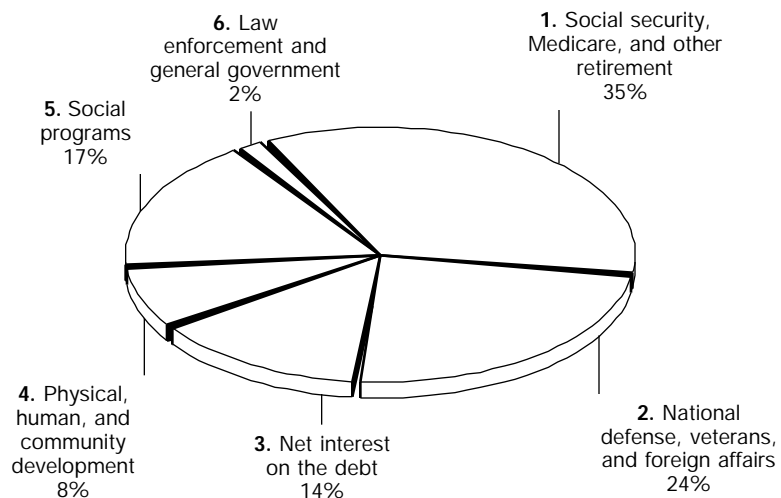
These pie charts show the relative sizes of the major categories of Federal income and outlays for fiscal year 1993.

Income and Outlays

Where the Income Came From:



What the Outlays Were:



* The percentages on this page exclude undistributed offsetting receipts, which were -\$37 billion in fiscal year 1993. In the budget, these receipts are offset against spending in figuring the outlay totals shown above. These receipts are primarily for the U.S. Government's share of its employee retirement programs and rents and royalties on the Outer Continental Shelf.