

Note: This booklet does not contain tax forms.



Department of the Treasury
Internal Revenue Service

www.irs.ustreas.gov

1998 1040

Instructions Including Instructions for Schedules A, B, C, D, E, F, J, and SE

Taxpayer News

Explore
IRS e-file!



- Quickest way to file.
 - Fastest way to get your refund.
 - Best way to avoid errors and notices.
- See page 5.

Need Help?

Quick and easy access to tax help and forms.
See page 6.

SSN Needed!

We heard you!

To protect your privacy, we took your social security number (SSN) off the label. But we still

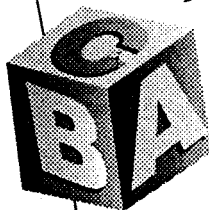
need your SSN. So be sure to complete the SSN area at the top of Form 1040.
See page 12.



New Tax Benefits!

Child Tax Credits!

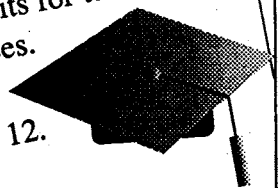
You may be able to claim credits of up to \$400 for each child under 17.
See page 12.



Benefits for College and Other Higher Education!

- Student loan interest deduction.
- Credits for tuition and fees.

See page 12.



Tax Return Page Reference

Questions about what to put on a line? Help is on the page number in the circle.

Label (18) (See instructions on page 18.) Use the IRS label. Otherwise, please print or type.

LABEL HERE

For the year Jan. 1–Dec. 31, 1998, or other tax year beginning _____, 1998, ending _____, 19

Your first name and initial _____ Last name _____ Your social security number _____ (18)
 (New)

If a joint return, spouse's first name and initial _____ Last name _____ Spouse's social security number _____ (18)
 (New)

FOR REFERENCE ONLY—DO NOT FILE

Home address (number and street). If you have a P.O. box, see page 18. _____ Apt. no. _____

City, town or post office, state, and ZIP code. If you have a foreign address, see page 18. _____

IMPORTANT! You must enter your SSN(s) above.

Yes	No	Note: Checking "Yes" will not change your tax or reduce your refund.

Presidential Election Campaign (18) Do you want \$3 to go to this fund? _____
 If a joint return, does your spouse want \$3 to go to this fund? _____

Filing Status (18) Check only one box.

1 Single

2 Married filing joint return (even if only one had income)

3 Married filing separate return. Enter spouse's social security no. above and full name here. ▶ _____

4 Head of household (with qualifying person). (See page 18.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ _____

5 Qualifying widow(er) with dependent child (year spouse died ▶ 19 _____). (See page 18.)

Exemptions (19)

6a Yourself. If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a

b Spouse

c Dependents:		(2) Dependent's social security number	(3) Dependent's relationship to you	(4) If qualifying child for child tax credit (see page 19)
(1) First name	Last name			
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

If more than six dependents, see page 19.

d Total number of exemptions claimed _____

No. of boxes checked on 6a and 6b _____
 No. of your children on 6c who:
 • lived with you _____
 • did not live with you due to divorce or separation (see page 19) _____
 Dependents on 6c not entered above _____
 Add numbers entered on lines above ▶

Income (45) Attach Copy B of your Forms W-2, W-2G, and 1099-R here. If you did not get a W-2, see page 20. Enclose, but do not staple, any payment. Also, please use Form 1040-V.

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	(20)
8a	Taxable interest. Attach Schedule B if required	8a	(20)
b	Tax-exempt interest. DO NOT include on line 8a	8b	(20)
9	Ordinary dividends. Attach Schedule B if required	9	(21)
10	Taxable refunds, credits, or offsets of state and local income taxes (see page 21)	10	(21)
11	Alimony received	11	(22)
12	Business income or (loss). Attach Schedule C or C-EZ	12	(22)
13	Capital gain or (loss). Attach Schedule D	13	(22)
14	Other gains or (losses). Attach Form 4797	14	(22)
15a	Total IRA distributions	15a	(22)
b	Taxable amount (see page 22)	15b	(22)
16a	Total pensions and annuities	16a	(22)
b	Taxable amount (see page 22)	16b	(22)
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	
18	Farm income or (loss). Attach Schedule F	18	
19	Unemployment compensation	19	(24)
20a	Social security benefits	20a	(24)
b	Taxable amount (see page 24)	20b	(24)
21	Other income. List type and amount—see page 24	21	
22	Add the amounts in the far right column for lines 7 through 21. This is your total income ▶	22	

Adjusted Gross Income (36) If line 33 is under \$30,095 (under \$10,030 if a child did not live with you), see EIC inst. on page 36.

23	IRA deduction (see page 25)	23	(25)
24	Student loan interest deduction (see page 27)	24	(27)
25	Medical savings account deduction. Attach Form 8853	25	(28)
26	Moving expenses. Attach Form 3903	26	(28)
27	One-half of self-employment tax. Attach Schedule SE	27	(28)
28	Self-employed health insurance deduction (see page 28)	28	(28)
29	Keogh and self-employed SEP and SIMPLE plans	29	(28)
30	Penalty on early withdrawal of savings	30	(28)
31a	Alimony paid b Recipient's SSN ▶ _____	31a	(28)
32	Add lines 23 through 31a	32	(28)
33	Subtract line 32 from line 22. This is your adjusted gross income ▶	33	(29)

A Message From the Commissioner

Dear Taxpayer:

As part of its ongoing efforts to improve customer service, the IRS is working to provide you with even more reliable and helpful assistance for the coming tax filing season. Whether it is in person or on the phone, we want to answer your questions correctly, promptly and courteously. We want to process your return quickly and accurately and make sure that more of you can file by computer and telephone and get information and forms over the Internet. To find out more about the many different services the IRS offers this tax season, see page 6 of this booklet.

Paperless filing is the wave of the future. The IRS is greatly expanding and promoting the use of electronic filing through our *e-file* program. You can ask a tax professional to *e-file* your return, or if you prefer, you can file from home using your personal computer. There are also more than 5,000 tax products, including forms, on the IRS Home Page (www.irs.ustreas.gov) that can be downloaded to your computer.

Beginning in January 1999, our phone helpline will also be open for business 24-hours-a-day/seven days a week, all year long. New technology will reduce even further hold time and allow callers to get specific information and help on, for example, the sale of a house, retirement, or job changes.

During the 1998 tax filing season, we offered more walk-in office hours at locations and times convenient to you. We will expand this option beginning in January with walk-in service on 13 Saturdays at 250 sites across the nation.

We will continue to hold Problem Solving Days every month throughout the year when taxpayers can sit down and meet face-to-face with an IRS representative to help resolve a particular problem. When and where a Problem Solving Day will be held near you can be found on the IRS Home Page at www.irs.ustreas.gov and the events are publicized in local newspapers and on radio and television.

We still have a ways to go before we can provide world class customer service but we are taking some important steps in the right direction. We have also begun a multi-year modernization of the IRS with customer service as its focus and the goal of giving America's taxpayers the services they expect and deserve.

Sincerely,



Charles O. Rossotti

The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

IRS Customer Service Standards



At the IRS our goal is to continually improve the quality of our services. To achieve that goal, we have developed customer service standards in the following areas:

- Easier filing
- Access to information
- Accuracy

- Prompt refunds
- Initial contact resolution
- Canceling penalties
- Resolving problems
- Simpler forms

If you would like information about the IRS standards and a report of our accomplishments, see **Pub. 2183**.

IRS e-file. Click. Zip. Fast Round Trip!



Take advantage of the benefits of IRS e-file!

- Get your **REFUND** in **half the time**
- Take advantage of the **FASTEST** and most **ACCURATE** way possible to file your tax return (thereby reducing your likelihood of receiving an error notice)
- Get **PROOF** your return has been accepted
- File your Federal and state tax returns together
- **New this year**—Pay your balance due electronically when you use an authorized IRS e-file provider or when you e-file from your home computer.



IRS e-file means a fast refund—even faster with **Direct Deposit!**



Look for this sign! An authorized IRS e-file provider can prepare **AND** e-file your return or e-file a tax return you have prepared yourself.

IRS e-file From Your Personal Computer

File electronically from your home using tax preparation software, a personal computer, and a modem. Check out the IRS web site at www.irs.ustreas.gov for a list of companies who participate in this IRS e-file program. You can also find a listing of partnerships the IRS has with private sector companies offering low-cost IRS e-file options.

IRS e-file By Phone

10 minutes is all it takes to file your tax return with a touch tone phone through TeleFile. This system is **FREE**, available 24 hours a day, 7 days a week for those taxpayers who receive the *TeleFile Tax Package*.

Get all the details on page 47.

"People are quickly discovering how easy it is to take care of their taxes by telephone or personal computer. This year millions will file electronically and millions more will get tax information by computer or telephone. Beginning in 1999, if you file electronically you can also pay your balance due electronically. These are some of the ways the IRS is providing the same ease and convenience you have come to expect from firms in the private sector."

**Robert E. Barr, Assistant Commissioner,
Electronic Tax Administration, IRS**

Quick and Easy Access to Tax Help and Forms



PERSONAL COMPUTER

Access the IRS's Internet Web Site at www.irs.ustreas.gov to do the following:

- Download Forms, Instructions, and Publications
- See Answers to Frequently Asked Tax Questions
- Search Publications On-Line by Topic or Keyword
- Figure Your Withholding Allowances Using our W-4 Calculator
- Send Us Comments or Request Help via E-Mail
- Sign up to Receive Hot Tax Issues and News by E-Mail From the IRS Digital Dispatch

You can also reach us using:

- Telnet at iris.irs.ustreas.gov
- File Transfer Protocol at ftp.irs.ustreas.gov
- Direct Dial (by modem) **703-321-8020**



FAX

Just call **703-368-9694** from the telephone connected to the fax machine to get over 100 of the most requested forms and instructions. (See pages 7 and 8 for a list of the items.)



MAIL

You can order forms, instructions, and publications by completing the order blank on page 49. You should receive your order within 10 days after we receive your request.



PHONE

You can get forms, publications, and information 24 hours a day, 7 days a week, by phone.

Forms and Publications

Call **1-800-TAX-FORM** (1-800-829-3676) to order current and prior year forms, instructions, and publications. You should receive your order within 10 days.

TeleTax Topics

You can listen to pre-recorded messages covering about 150 tax topics. (See pages 9 and 10 for the number to call and a list of the topics.)

Refund Information

You can check on the status of your 1998 refund using TeleTax's Refund Information service. (See page 9.)



WALK-IN

You can pick up some of the most requested forms, instructions, and publications at many post offices, libraries, and IRS offices. Some IRS offices and libraries have an

extensive collection of products available to photocopy or print from a CD-ROM.



CD-ROM

Order **Pub. 1796, Federal Tax Products on CD-ROM**, and get:

- Current Year Forms, Instructions, and Publications
- Prior Year Forms and Instructions
- Popular Forms That May Be Filled in Electronically, Printed out for Submission, and Saved for Recordkeeping

Buy the CD-ROM on the Internet at www.irs.ustreas.gov/cdorders from the National Technical Information Service (NTIS) for \$13 (plus a \$5 handling fee), and save 35% or call **1-877-CDFORMS** (1-877-233-6767) toll-free to buy the CD-ROM for \$20 (plus a \$5 handling fee).

You can also get help in other ways—See page 47 for information.

Forms by Fax

The following forms and instructions are available through our **Tax Fax** service by calling **703-368-9694** from the telephone connected to the fax machine. When you call, you will hear instructions on how to use the service. Select the option for getting forms. Then, enter the **Fax Order No.** shown below for each item you want. When you hang up the phone, the fax will begin.

Name of Form or Instructions	Title of Form or Instructions	Fax Order No.	No. of Pages	Name of Form or Instructions	Title of Form or Instructions	Fax Order No.	No. of Pages
Form SS-4	Application for Employer Identification Number	16055	4	Form 990EZ	Short Form Return of Organization Exempt From Income Tax	10642	2
Form SS-8	Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding	16106	4	Instr. 990EZ	Specific Instructions for Form 990-EZ	50003	8
Form W-2c	Corrected Wage and Tax Statement	61437	7	Form 1040	U.S. Individual Income Tax Return	11320	2
Form W-3c	Transmittal of Corrected Wage and Tax Statements	10164	1	Instr. 1040	Line Instructions for Form 1040	11325	28
Instr. W-2c and W-3c		25978	4	Instr. 1040	General Information for Form 1040	24811	26
Form W-4	Employee's Withholding Allowance Certificate	10220	2	Tax Table and Tax Rate Schedules (Form 1040)	Tax Table and Tax Rate Schedules (Form 1040)	24327	13
Form W-4P	Withholding Certificate for Pension or Annuity Payments	10225	4	Schedules A&B (Form 1040)	Itemized Deductions & Interest and Ordinary Dividends	11330	2
Form W-5	Earned Income Credit Advance Payment Certificate	10227	3	Instr. Sch. A&B		24328	8
Form W-7	Application for IRS Individual Taxpayer Identification Number	10229	3	Schedule C (Form 1040)	Profit or Loss From Business (Sole Proprietorship)	11334	2
Form W-7A	Application for Taxpayer Identification Number for Pending U.S. Adoptions	24309	2	Instr. Sch. C		24329	9
Form W-9	Request for Taxpayer Identification Number and Certification	10231	2	Schedule C-EZ (Form 1040)	Net Profit From Business (Sole Proprietorship)	14374	2
Instr. W-9	Instructions for Requester of Form W-9	20479	2	Schedule D (Form 1040)	Capital Gains and Losses	11338	2
Form W-9S	Request for Student's or Borrower's Taxpayer Identification Number and Certification	25240	2	Instr. Sch. D		24331	7
Form W-10	Dependent Care Provider's Identification and Certification	10437	1	Schedule D-1 (Form 1040)	Continuation Sheet for Schedule D	10424	2
Form 709	U.S. Gift (and Generation-Skipping Transfer) Tax Return	16783	4	Schedule E (Form 1040)	Supplemental Income and Loss	11344	2
Instr. 709		16784	8	Instr. Sch. E		24332	6
Form 709A	U.S. Short Form Gift Tax Return	10171	2	Schedule EIC (Form 1040A or 1040)	Earned Income Credit	13339	2
Form 843	Claim for Refund and Request for Abatement	10180	1	Schedule F (Form 1040)	Profit or Loss From Farming	11346	2
Instr. 843		11200	2	Instr. Sch. F		24333	7
Form 940	Employer's Annual Federal Unemployment (FUTA) Tax Return	11234	2	Schedule H (Form 1040)	Household Employment Taxes	12187	2
Instr. 940		13660	6	Instr. Sch. H		21451	8
Form 940-EZ	Employer's Annual Federal Unemployment (FUTA) Tax Return	10983	2	Schedule J (Form 1040)	Farm Income Averaging	25513	2
Instr. 940-EZ		25947	4	Instr. Sch. J		25514	4
Form 941	Employer's Quarterly Federal Tax Return	17001	2	Schedule R (Form 1040)	Credit for the Elderly or the Disabled	11359	2
Form 941c	Supporting Statement To Correct Information	11242	4	Instr. Sch. R		11357	4
Form 990	Return of Organization Exempt From Income Tax	11282	6	Schedule SE (Form 1040)	Self-Employment Tax	11358	2
Instr. 990	General Instructions for Forms 990 and 990-EZ	22386	10	Instr. Sch. SE		24334	4
Instr. 990	Specific Instructions for Form 990	50002	16	Form 1040A	U.S. Individual Income Tax Return	11327	2
Schedule A (Form 990)	Organization Exempt Under Section 501(c)(3)	11285	6	Schedule 1 (Form 1040A)	Interest and Ordinary Dividends for Form 1040A Filers	12075	1
Instr. Sch. A		11294	8	Schedule 2 (Form 1040A)	Child and Dependent Care Expenses for Form 1040A Filers	10749	2
				Schedule 3 (Form 1040A)	Credit for the Elderly or the Disabled for Form 1040A Filers	12064	2
				Instr. Sch. 3		12059	4
				Form 1040-ES	Estimated Tax for Individuals	11340	7
				Form 1040EZ	Income Tax Return for Single and Joint Filers With No Dependents	11329	2
				Form 1040NR	U.S. Nonresident Alien Income Tax Return	11364	5

Name of Form or Instructions	Title of Form or Instructions	Fax Order No.	No. of Pages	Name of Form or Instructions	Title of Form or Instructions	Fax Order No.	No. of Pages
Form 1040NR-EZ	U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents	21534	2	Form 6251	Alternative Minimum Tax—Individuals	13600	2
Instr. 1040NR-EZ		21718	12	Instr. 6251		64277	8
Form 1040X	Amended U.S. Individual Income Tax Return	11360	2	Form 6252	Installment Sale Income	13601	1
Instr. 1040X		11362	6	Instr. 6252		64262	2
Form 1116	Foreign Tax Credit	11440	2	Form 6781	Gains and Losses From Section 1256 Contracts and Straddles	13715	3
Instr. 1116		11441	10	Form 8271	Investor Reporting of Tax Shelter Registration Number	61924	2
Form 1310	Statement of Person Claiming Refund Due a Deceased Taxpayer	11566	2	Form 8283	Noncash Charitable Contributions	62299	2
Form 2106	Employee Business Expenses	11700	2	Instr. 8283		62730	4
Instr. 2106		64188	4	Form 8300	Report of Cash Payments Over \$10,000 Received in a Trade or Business	62133	4
Form 2106-EZ	Unreimbursed Employee Business Expenses	20604	2	Form 8332	Release of Claim to Exemption for Child of Divorced or Separated Parents	13910	1
Form 2120	Multiple Support Declaration	11712	1	Form 8379	Injured Spouse Claim and Allocation	62474	2
Form 2210	Underpayment of Estimated Tax by Individuals, Estates, and Trusts	11744	3	Form 8582	Passive Activity Loss Limitations	63704	3
Instr. 2210		63610	5	Instr. 8582		64294	12
Form 2290	Heavy Vehicle Use Tax Return	11250	10	Form 8586	Low-Income Housing Credit	63987	2
Form 2441	Child and Dependent Care Expenses	11862	2	Form 8606	Nondeductible IRAs	63966	2
Instr. 2441		10842	3	Instr. 8606		25399	8
Form 2553	Election by a Small Business Corporation	18629	2	Form 8615	Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,400	64113	2
Instr. 2553		49978	2	Form 8718	User Fee for Exempt Organization Determination Letter Request	64728	1
Form 2555	Foreign Earned Income	11900	3	Form 8801	Credit for Prior Year Minimum Tax—Individuals, Estates, and Trusts	10002	4
Instr. 2555		11901	4	Form 8809	Request for Extension of Time To File Information Returns	10322	2
Form 2555-EZ	Foreign Earned Income Exclusion	13272	2	Form 8812	Additional Child Tax Credit	10644	2
Instr. 2555-EZ		14623	3	Form 8814	Parents' Election To Report Child's Interest and Dividends	10750	2
Form 2688	Application for Additional Extension of Time To File U.S. Individual Income Tax Return	11958	2	Form 8815	Exclusion of Interest From Series EE U.S. Savings Bonds Issued After 1989	10822	2
Form 2848	Power of Attorney and Declaration of Representative	11980	2	Form 8822	Change of Address	12081	2
Instr. 2848		11981	3	Form 8824	Like-Kind Exchanges	12311	2
Form 3903	Moving Expenses	12490	2	Instr. 8824		12597	2
Form 4136	Credit for Federal Tax Paid on Fuels	12625	4	Form 8829	Expenses for Business Use of Your Home	13232	1
Form 4137	Social Security and Medicare Tax on Unreported Tip Income	12626	2	Instr. 8829		15683	3
Form 4506	Request for Copy or Transcript of Tax Form	41721	2	Form 8839	Qualified Adoption Expenses	22843	2
Form 4562	Depreciation and Amortization	12906	2	Instr. 8839		23077	4
Instr. 4562		12907	12	Form 8850	Pre-Screening Notice and Certification Request for the Work Opportunity Credit and Welfare-to-Work Credits	22851	2
Form 4684	Casualties and Thefts	12997	2	Instr. 8850		24833	2
Instr. 4684		12998	4	Form 8853	Medical Savings Accounts and Long-Term Care Insurance Contracts	24091	2
Form 4797	Sales of Business Property	13086	2	Instr. 8853		24188	8
Instr. 4797		13087	4	Form 8857	Request for Innocent Spouse Relief	24647	4
Form 4835	Farm Rental Income and Expenses	13117	2	Form 8859	District of Columbia First-Time Homebuyer Credit	24779	2
Form 4868	Application for Automatic Extension of Time To File U.S. Individual Income Tax Return	13141	4	Form 8862	Information To Claim Earned Income Credit After Disallowance	25145	2
Form 4952	Investment Interest Expense Deduction	13177	2	Instr. 8862		25343	2
Form 4972	Tax on Lump-Sum Distributions	13187	2	Form 8863	Education Credits	25379	3
Instr. 4972		13188	4	Form 9465	Installment Agreement Request	14842	2
Form 5329	Additional Taxes Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs	13329	2				
Instr. 5329		13330	4				
Form 6198	At-Risk Limitations	50012	1				
Instr. 6198		50013	7				

What Is TeleTax?

Call TeleTax at **1-800-829-4477** and you can get:

Refund Information. Check the status of your **1998** refund.

Recorded Tax Information. There are about 150 topics that answer many Federal tax questions. You can listen to up to three topics on each call you make.

How Do I Use TeleTax?

Refund Information

Note: Refund information is not available until at least 4 weeks after you file your return (3 weeks if you file electronically), and sometimes is not available for up to 6 weeks. Please wait at least 4 weeks before calling to check on the status of your refund. If it has been more than 6 weeks and TeleTax does not give you the date your refund will be issued, please call us. See page 11.

Be sure to have a copy of your 1998 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 **1-800-829-4477** and follow the recorded instructions.



The IRS updates refund information every 7 days, over the weekend. Refunds are sent out weekly, on Fridays. If you call to check the status of your refund and are not given the date it will be issued, please wait until the next week before calling back.

Recorded Tax Information

Recorded tax information is available 24 hours a day, 7 days a week. Select the number of the topic you want to hear. Then, call **1-800-829-4477**. Have paper and pencil handy to take notes.

Topics by Personal Computer

TeleTax topics are also available using a personal computer and modem (connect to www.irs.ustreas.gov).

TeleTax 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
	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
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
158	Ensuring proper credit of payments
159	Hardship assistance applications

Topic No.	Subject
	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
205	Innocent spouse relief
	Alternative Filing Methods
251	Form 1040PC format return
252	Electronic filing
253	Substitute tax forms
254	How to choose a tax preparer
255	TeleFile
	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	Roth IRA contributions
310	Education IRA contributions
311	Power of attorney information

Topic No.	Subject
	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
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	Farming and fishing income
417	Earnings for clergy
418	Unemployment compensation
419	Gambling income and expenses
420	Bartering income

TeleTax Topics

(Continued)

Topic No.	Subject
421	Scholarship and fellowship grants
422	Nontaxable income
423	Social security and equivalent railroad retirement benefits
424	401(k) plans
425	Passive activities—Losses and credits
426	Other income
427	Stock options
428	Roth IRA distributions
Adjustments to Income	
451	Individual retirement arrangements (IRAs)
452	Alimony paid
453	Bad debt deduction
454	Tax shelters
455	Moving expenses
456	Student loan interest deduction
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 tax options for lump-sum distributions
556	Alternative minimum tax
557	Tax on early distributions from traditional IRAs
558	Tax on early distributions from retirement plans

Topic No.	Subject
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
605	Education credits
606	Child tax credits
607	Adoption credit
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Topic numbers are effective January 1, 1999.

Calling the IRS

If you cannot answer your question by using one of the methods listed on page 6, please call us for assistance at **1-800-829-1040**. You will not be charged for the call unless your phone company charges you for local calls. This service is available 24 hours a day, 7 days a week.



If you want to check on the status of your **1998 refund**, call **TeleTax**. See page 9 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 questions by having the following information available.

- The tax form, schedule, or notice to which your question relates.
- 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.
- The name of any IRS publication or other source of information that you used to look for the answer.

To maintain your account security, you may be asked for the following information, which you should also have available.

- Your social security number.
- The amount of refund and filing status shown on your tax return.
- The "Caller ID Number" shown at the top of any notice you received.
- Your personal identification number (PIN) if you have one.

- Your date of birth.
- The numbers in your street address.
- Your ZIP code.

If you are asking for an installment agreement to pay your tax, you will be asked for the highest amount you can pay each month and the date on which you can pay it.

Evaluation of Services Provided. The IRS uses several methods to evaluate the quality of this telephone service. One method is for a second IRS representative to sometimes listen in on or record telephone calls. Another is to ask some callers to complete a short survey at the end of the call.

Making the Call

Call **1-800-829-1040** (for TTY/TDD help, call 1-800-829-4059). If you have a pulse or rotary dial phone, stay on the line and one of our assisters will answer.

If you have a touch-tone phone, press **1** to enter our automated system. You can press the number for your topic as soon as you hear it. The system will direct you to the appropriate assistance.

You may not need to speak to a representative to get your answer. You can do the following within the automated system.

- Order tax forms and publications.
- Find out the status of your refund or the current amount you owe.
- Determine if we have adjusted your account or received payments you made.
- Request a transcript of your account.

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. He or she will be happy to take additional time to be sure your question is answered fully.

By law, you are responsible for paying your 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.

Before You Fill In Form 1040

See *How To Avoid Common Mistakes* on page 45.

If you were a participant in Operation Joint Guard or Operation Joint Forge, or you were in the Persian Gulf area combat zone, see **Pub. 3**.



For details on these and other changes, see **Pub. 553** or see **What's Hot** at www.irs.ustreas.gov.

What's New for 1998?

Put Your Social Security Number on Form 1040!

To protect your privacy, your social security number (SSN) is not printed on the peel-off label that came in the mail with this booklet. This means that you must now enter your SSN in the space provided on page 1 of Form 1040. If you are married filing a joint return, also enter your spouse's SSN. Be sure to list the SSNs in the same order as the first names.



If you are married filing a joint return, make sure you list the names and SSNs in the same order each year.

New Child Tax Credits

Do you have a child who was under age 17 at the end of 1998?

If so, you may be able to claim either or both of these new credits:

- The Child Tax Credit
- The Additional Child Tax Credit

The total of these credits cannot be more than \$400 for each qualifying child. Figure the child tax credit first. If you have three or more qualifying children and you are not able to claim the full \$400 child tax credit for each child, you may be able to claim the additional credit.

The **additional child tax credit** is refundable; that is, it may give you a refund even if you do not owe any tax.

These credits are in addition to the child and dependent care credit and the earned income credit that you may be able to claim.

Who Is a Qualifying Child? The child must be your dependent and must meet certain other requirements. See **Qualifying Child for Child Tax Credit** in the instructions for line 6c, column (4), on page 19.

Caution: If the child meets those requirements, check the box in column (4) on line 6c of your return.

Where Do You Claim These Credits?

Child Tax Credit. If you have at least one qualifying child, follow the instructions on page 31 and figure the credit on the **Child Tax Credit Worksheet**. Do not attach this worksheet to your return. Enter the credit on Form 1040, line 43.

Additional Child Tax Credit. Use **Form 8812** to figure this credit and attach it to your return. Enter the additional child tax credit on Form 1040, line 60.

Student Loan Interest Deduction

If you paid interest on a qualified student loan, you may be able to deduct up to \$1,000 of the interest on line 24. See the instructions for line 24 on page 27 for details.

Education Credits

You may be able to take the Hope credit for tuition and related expenses paid for yourself, your spouse, or dependents to enroll at or attend an eligible educational institution. For qualified expenses paid after June 30, 1998, you may be able to take the lifetime learning credit. These credits are reported on line 44. The Hope credit only applies to the first 2 years of postsecondary education. Use **Form 8863** to figure the credits.

Foreign Tax Credit

If you paid income tax to a foreign country, you may not have to file **Form 1116** to claim the foreign tax credit on line 46. See the instructions for line 46 on page 33 for details.

Sale of Your Home

If you sold your main home in 1998 and **all four** of the following apply, you do not have to report the sale on your tax return.

1. No part of the home was used for business or rental purposes.
2. You (or your spouse if filing a joint return) owned and lived in the home as your main home for at least 2 years

within the 5-year period ending on the date of sale.

3. You (and your spouse if filing a joint return) have not sold or exchanged another main home after May 6, 1997.

4. The selling price of the home is not over \$250,000 (\$500,000 if married filing a joint return and both you and your spouse lived in the home for periods adding up to at least 2 years within the 5-year period ending on the date of sale).

If all four of the conditions do not apply, see **Pub. 523** to find out if you have to report the sale on your return and, if you do, how to do so.

Self-Employed Health Insurance Deduction

You may be able to deduct up to 45% of your health insurance. See the instructions for line 28 on page 28 for details.

Earned Income Credit (EIC)

You may be able to take this credit if you earned less than \$30,095 (less than \$10,030 if you do not have any qualifying children). See the instructions for lines 59a and 59b that begin on page 36.

IRA Deduction Restored for Some People Covered by Retirement Plans

You may be able to take an IRA deduction if you were covered by a retirement plan and your modified AGI (adjusted gross income) is less than: \$40,000 if single, head of household, or married filing separately and you lived apart from your spouse for all of 1998; \$60,000 if married filing jointly or qualifying widow(er). If you are married filing jointly and you were not covered by a plan but your spouse was, you may be able to take a deduction if the modified AGI on the joint return is less than \$160,000. See the instructions for line 23 that begin on page 25.

Roth Conversion IRAs

If you converted part or all of a traditional, SEP, or SIMPLE IRA to a Roth IRA in 1998, you may have to file **Form**

8606. See Form 8606 and its instructions for details.

Penalty-Free IRA Distributions

The additional tax on an early distribution from an IRA may not apply if you paid higher education expenses for yourself, your spouse, or your children or grandchildren. The tax also may not apply if you paid expenses related to the purchase of a home by a first-time homebuyer. See **Form 5329** and its instructions for details.

Estimated Tax Penalty

You generally will not owe an estimated tax penalty if the amount you owe on line 68 is less than \$1,000. See the instructions for line 69 on page 45.

Credit for Federal Tax Paid on Kerosene

If you bought undyed kerosene after June 30, 1998, for heating or certain other nonhighway uses, you may be able to take a credit of 24.4 cents for each gallon. You can get a refund even if you do not owe tax. See **Form 4136** for details.

Payment of Tax

If you owe tax, make your check or money order payable to the **"United States Treasury."** See the instructions for line 68 on page 44 for more details.

Standard Mileage Rates

The rate for business use of a vehicle has increased to 32.5 cents a mile. Starting this year, you can use the business mileage rate even if you lease your vehicle. For charitable contributions, the rate has increased to 14 cents a mile.

Daytime Phone Number on Form 1040

We have added a space on page 2 of Form 1040 for your daytime phone number. Providing your phone number may help speed the processing of your return if we have a question that can be answered over the phone. However, you do not have to enter your number. If you are filing a joint return, you may enter either your or your spouse's daytime phone number.

What To Look for in 1999

Child Tax Credits

The total of the child tax credit and the additional child tax credit can be as much as \$500 for each qualifying child.

Student Loan Interest Deduction

You may be able to deduct up to \$1,500 of the interest you pay on a qualified student loan.

Self-Employed Health Insurance Deduction

You may be able to deduct up to 60% of your health insurance.

IRA Deduction Allowed to More People Covered by Retirement Plans

You may be able to take an IRA deduction if you are covered by a retirement plan and your 1999 modified adjusted gross income is less than: \$41,000 if single, head of household, or married filing separately and you lived apart from your spouse for all of 1999; \$61,000 if married filing jointly or qualifying widow(er).

Filing Requirements

Note: These rules apply to all U.S. citizens, regardless of where they live, and resident aliens.

Do You Have To File?

Use **Chart A**, **B**, or **C** to see if you must file a return. U.S. citizens who lived in or had income from a U.S. possession should see **Pub. 570**. Residents of Puerto Rico can use TeleTax topic 901 (see page 9) to see if they must file.



Even if you do not otherwise 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 are eligible for the earned income credit or the additional child tax credit.

Exception for Children Under Age 14

If you are planning to file a return for your child who was under age 14 on January 1, 1999, and certain other conditions apply, you may elect to report your child's income on your return. But you must use **Form 8814** to do so. If you make this election, your child does not have to file a return. For details, use TeleTax topic 553 (see page 9) or see **Form 8814**.

Nonresident Aliens and Dual-Status Aliens

These rules also apply to nonresident aliens and dual-status aliens who were married to U.S. citizens or residents at the end of 1998 and who have elected to be taxed as resident aliens. Other nonresident aliens and dual-status aliens have different filing requirements. They may have to file **Form 1040NR** or **Form 1040NR-EZ**. Specific rules apply to determine if you are a resident or nonresident alien. See **Pub. 519** for details, including the rules for students and scholars who are aliens.

When Should You File?

Not later than **April 15, 1999**. If you file after this date, you may have to pay penalties and interest. See page 48.

Chart A—For Most People

IF your filing status is . . .	AND at the end of 1998 you were* . . .	THEN file a return if your gross income** was at least . . .
Single	under 65 65 or older	\$6,950 8,000
Married filing jointly***	under 65 (both spouses) 65 or older (one spouse) 65 or older (both spouses)	\$12,500 13,350 14,200
Married filing separately	any age	\$2,700
Head of household (see page 18)	under 65 65 or older	\$8,950 10,000
Qualifying widow(er) with dependent child (see page 18)	under 65 65 or older	\$9,800 10,650

* If you turned age 65 on January 1, 1999, you are considered to be age 65 at the end of 1998.

** **Gross income** means all income you received in the form of money, goods, property, and services that is not exempt from tax including any income from sources outside the United States (even if you may exclude part or all of it). **Do not** include social security benefits unless you are married filing a separate return and you lived with your spouse at any time in 1998.

*** If you did not live with your spouse at the end of 1998 (or on the date your spouse died) and your gross income was at least \$2,700, you must file a return regardless of your age.

What if You Cannot File on Time?

You can get an automatic 4-month extension by filing **Form 4868** with the IRS by April 15, 1999.

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

But if you are a U.S. citizen or resident, you may qualify for an automatic extension of time to file without filing **Form 4868**, 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 You File?

See the back cover of this booklet for filing instructions and addresses. For details on using a private delivery service to mail your return or payment, see page 17.

Chart B—For Children and Other Dependents (See the instructions for line 6c that begin on page 19 to find out if someone can claim you as a dependent.)

If your parent (or someone else) can claim you as a dependent, use this chart to see if 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 \$2,700 or more, you usually cannot be claimed as a dependent unless you were under age 19 or a student under age 24. For details, see **Pub. 501**.

Single dependents. Were you **either** age 65 or older **or** blind?

- No.** You must file a return if **any** of the following apply.
- Your **unearned income** was over \$700.
 - Your **earned income** was over \$4,250.
 - The total of your unearned and earned income was more than the **larger** of—
 - \$700, **or**
 - Your earned income (up to \$4,000) plus \$250.
- Yes.** You must file a return if **any** of the following apply.
- Your earned income was over \$5,300 (\$6,350 if 65 or older **and** blind).
 - Your unearned income was over \$1,750 (\$2,800 if 65 or older **and** blind).
 - Your gross income was more than—
- | The larger of: | PLUS | This amount: |
|---|------|---|
| <ul style="list-style-type: none"> • \$700, or • Your earned income (up to \$4,000) plus \$250 | } | \$1,050 (\$2,100 if 65 or older and blind) |

Married dependents. Were you **either** age 65 or older **or** blind?

- No.** You must file a return if **any** of the following apply.
- Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
 - Your unearned income was over \$700.
 - Your earned income was over \$3,550.
 - The total of your unearned and earned income was more than the **larger** of—
 - \$700, **or**
 - Your earned income (up to \$3,300) plus \$250.
- Yes.** You must file a return if **any** of the following apply.
- Your earned income was over \$4,400 (\$5,250 if 65 or older **and** blind).
 - Your unearned income was over \$1,550 (\$2,400 if 65 or older **and** blind).
 - Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
 - Your gross income was more than—
- | The larger of: | PLUS | This amount: |
|---|------|---|
| <ul style="list-style-type: none"> • \$700, or • Your earned income (up to \$3,300) plus \$250 | } | \$850 (\$1,700 if 65 or older and blind) |

Chart C—Other Situations When You Must File

If any of the four conditions below applied to you for 1998, 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 on a medical savings account (MSA), or
 - Recapture taxes. (See the instructions for line 56 on page 35.)
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.

Where To Report Certain Items From 1998 Forms W-2, 1098, and 1099

Report on Form 1040, line 57, any amounts shown on these forms as **Federal income tax withheld**. If you itemize your deductions, report on Schedule A, line 5, any amounts shown on these forms as **state or local income tax withheld**.

Form	Item and Box in Which It Should Appear	Where To Report if Filing Form 1040
W-2	Wages, salaries, tips, etc. (box 1)	Form 1040, line 7
	Allocated tips (box 8)	See Tip income on page 20
	Advance EIC payments (box 9)	Form 1040, line 54
	Dependent care benefits (box 10)	Form 2441, line 10
	Adoption benefits (box 13, code T)	Form 8839, line 20
	Employer contributions to an MSA (box 13, code R)	Form 8853, line 3b
W-2G	Gambling winnings (box 1)	Form 1040, line 21 (Schedule C or C-EZ for professional gamblers)
1098	Mortgage interest (box 1)	Schedule A, line 10*
	Points (box 2)	
	Refund of overpaid interest (box 3)	Form 1040, line 21, but first see the instructions on Form 1098*
1098-E	Student loan interest (box 1)	See the instructions for Form 1040, line 24 on page 27*
1099-A	Acquisition or abandonment of secured property	See Pub. 544
1099-B	Stocks, bonds, etc. (box 2)	Schedule D
	Bartering (box 3)	See Pub. 525
	Futures contracts (box 9)	Form 6781
1099-C	Canceled debt (box 2)	Form 1040, line 21, but first see the instructions on Form 1099-C*
1099-DIV	Ordinary dividends (box 1)	Form 1040, line 9
	Total capital gain distributions (box 2a)	Schedule D, line 13, column (f)
	28% rate gain (box 2b)	Schedule D, line 13, column (g)
	Unrecaptured section 1250 gain (box 2c)	See the worksheet for Schedule D, line 25, on page D-7
	Section 1202 gain (box 2d)	See the instructions for Schedule D
	Nontaxable distributions (box 3)	See the instructions for Form 1040, line 9, on page 21
	Investment expenses (box 5)	Schedule A, line 22
Foreign tax paid (box 6)	Form 1040, line 46, or Schedule A, line 8	
1099-G	Unemployment compensation (box 1)	Form 1040, line 19. But if you repaid any unemployment compensation in 1998, see the instructions for line 19 on page 24
	State or local income tax refund (box 2)	See the instructions for Form 1040, line 10, on page 21*
	Taxable grants (box 6)	Form 1040, line 21*
	Agriculture payments (box 7)	See the Schedule F instructions or Pub. 225

* 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.

Form	Item and Box in Which It Should Appear	Where To Report if Filing Form 1040
1099-INT	Interest income (box 1)	Form 1040, line 8a
	Early withdrawal penalty (box 2)	Form 1040, line 30
	Interest on U.S. savings bonds and Treasury obligations (box 3)	See the instructions for Form 1040, line 8a, on page 20
	Foreign tax paid (box 5)	Form 1040, line 46, or Schedule A, line 8
1099-LTC	Long-term care and accelerated death benefits	See the instructions for Form 8853
1099-MISC	Rents (box 1)	See the instructions for Schedule E
	Royalties (box 2)	Schedule E, line 4 (timber, coal, iron ore royalties, see Pub. 544)
	Other income (box 3)	Form 1040, line 21*
	Nonemployee compensation (box 7)	Schedule C, C-EZ, or F (Form 1040, line 7, if you were not self-employed)
	Other (boxes 5, 6, 8, 9, and 10)	See the instructions on Form 1099-MISC
1099-MSA	Distributions from medical savings accounts	Form 8853
1099-OID	Original issue discount (box 1)	See the instructions on Form 1099-OID
	Other periodic interest (box 2)	
	Early withdrawal penalty (box 3)	Form 1040, line 30
1099-PATR	Patronage dividends and other distributions from a cooperative (boxes 1, 2, 3, and 5)	Schedule C, C-EZ, or F, or Form 4835, but first see the instructions on Form 1099-PATR
	Credits (boxes 7 and 8)	Form 3468 or Form 5884
	Patron's AMT adjustment (box 9)	Form 6251, line 14j
1099-R	Distributions from IRAs**	See the instructions for Form 1040, lines 15a and 15b, on page 22
	Distributions from pensions, annuities, etc.	See the instructions for Form 1040, lines 16a and 16b, on page 22
	Capital gain (box 3)	See the instructions on Form 1099-R
1099-S	Gross proceeds from real estate transactions (box 2)	Form 4797 or Schedule D. But if the property was your home, see What's New for 1998? on page 12
	Buyer's part of real estate tax (box 5)	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.

** This includes distributions from Roth, SEP, SIMPLE, and education IRAs.

Private Delivery Services

You can use certain private delivery services designated by the IRS to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. The IRS publishes a list of the designated private delivery services in September of each year. The list published in September 1998 includes only the following:

- Airborne Express (Airborne): Overnight Air Express Service, Next Afternoon Service, and Second Day Service.
- DHL Worldwide Express (DHL): DHL "Same Day" Service, and DHL USA Overnight.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, and FedEx 2Day.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver,

UPS 2nd Day Air, and UPS 2nd Day Air A.M.

The private delivery service can tell you how to get written proof of the mailing date.

Caution: *Private delivery services cannot deliver items to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box address.*

Line Instructions for Form 1040

Name and Address

Use the Peel-Off Label

Using your peel-off name and address label in this booklet will speed the processing of your return. It also prevents common errors that can delay refunds or result in unnecessary notices. Attach the label to your return **after** you have finished it. Cross out any errors and print the correct information. Add any missing items, such as your apartment number.

Address Change

If the address on your peel-off label is not your current address, cross out your old address and print your new address. If you plan to move after filing your return, see page 46.

Name Change

If you changed your name, be sure to report the change 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 peel-off label, cross out your former name and print your new name.

What If You Do Not Have a Label?

Print or type the information in the spaces provided. If you are married filing a separate return, enter your husband's or wife's name on line 3 instead of below your name.



If you filed a joint return for 1997 and you are filing a joint return for 1998 with the same spouse, be sure to enter your names and SSNs in the same order as on your 1997 return.

P.O. Box

Enter your box number instead of your street address **only** if your post office does not deliver mail to your home.

Foreign Address

Enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Please **do not** abbreviate the country name.

Death of a Taxpayer

See page 46.

Social Security Number (SSN)

An incorrect or missing SSN may increase your tax or reduce 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 in Form SS-5 and return it to the SSA. It usually takes about 2 weeks to get an SSN.

Check that your SSN is correct on your Forms W-2 and 1099. See page 46 for more details.

IRS Individual Taxpayer Identification Numbers (ITINs) for Aliens

The IRS will issue you an ITIN if you are a nonresident or resident alien and you do not have and are not eligible to get an SSN. **To apply for an ITIN**, file **Form W-7** with the IRS. It usually takes about 30 days to get an ITIN. **Enter your ITIN wherever your SSN is requested on your tax return.**

Note: *An ITIN is for tax use only. It does not entitle you to social security benefits or change your employment or immigration status under U.S. law.*

Nonresident Alien Spouse

If your spouse is a nonresident alien and you file a joint or separate return, your spouse must have either an SSN or an ITIN.

Presidential Election Campaign Fund

This fund helps pay for Presidential election campaigns. 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 that applies to you. The ones that will usually give you the lowest tax are listed last.

- Married filing separately.
- Single.

• **Head of household.** This status is for unmarried people who paid over half the cost of keeping up a home for a qualifying person, such as a child or parent. Certain married people who lived apart from their spouse for the last 6 months of 1998 may also be able to use this status.

• **Married filing jointly or Qualifying widow(er) with dependent child.** The **Qualifying widow(er)** status is for certain people whose spouse died in 1996 or 1997 and who had a child living with them whom they can claim as a dependent.

Joint and Several Tax Liability. If you file a joint return, both you and your spouse are generally responsible for the tax and any interest or penalties due on the return. This means that if one spouse does not pay the tax due, the other may have to. However, see **Innocent Spouse Relief** on page 46.



*More than one filing status may apply to you. Choose the one that will give you the lowest tax. If you are not sure about your filing status, use TeleTax topic 353 (see page 9) or see **Pub. 501**.*



Need More Information or Forms? You can use a personal computer, fax, or phone to get what you need. See page 6.

Exemptions

You usually can deduct \$2,700 on line 38 for each exemption you can take.

Line 6b

Spouse

Check the box on line 6b if you file either (1) a joint return, or (2) a separate return and your spouse had no income and is not filing a return. However, **do not** check the box if your spouse can be claimed as a dependent on another person's return.

Line 6c

Dependents

You can take an exemption for each of your dependents. The following is a brief description of the five tests that must be met for a person to qualify as your dependent. If you have **more than six** dependents, attach a statement to your return with the required information.

Relationship Test. The person must be either your relative or have lived in your home as a family member all year. If the person is not your relative, the relationship must not violate local law.

Joint Return Test. If the person is married, he or she cannot file a joint return. But the person can file a joint return if the return is filed only as a claim for refund **and** no tax liability would exist for either spouse if they had filed separate returns.

Citizen or Resident Test. The person must be a U.S. citizen or resident alien, or a resident of Canada or Mexico. There is an exception for certain adopted children. To find out who is a **resident alien**, use TeleTax topic 851 (see page 9) or see **Pub. 519**.

Income Test. The person's gross income must be less than \$2,700. But your child's gross income can be \$2,700 or more if he or she was either **under age 19** at the end of 1998 or **under age 24** at the end of 1998 and was a **student**.

Support Test. You must have provided over half of the person's total support in 1998. But there are two exceptions to this test: one for children of divorced or separated parents and one for persons supported by two or more taxpayers.



*For more details about the tests, including any exceptions that apply, see **Pub. 501**.*

Line 6c, Column (2)

You must enter each dependent's social security number (SSN). If you do not enter the correct SSN, at the time we process your return, we may disallow the exemption claimed for the dependent and reduce or disallow any other tax benefits (such as the child tax credit and the earned income credit) based on the dependent.



*For details on how your dependent can get an SSN, see page 18. If your dependent will not have an SSN by April 15, 1999, see **What if You Cannot File on Time?** on page 14.*

If your dependent child was born and died in 1998 and you do not have an SSN for the child, you may attach a copy of the child's birth certificate instead and enter "DIED" in column (2).

Adoption Taxpayer Identification Numbers (ATINs). If you have a dependent who was placed with you by an authorized placement agency and you do not know his or her SSN, you must get an ATIN for the dependent from the IRS. See **Form W-7A** for details.

Line 6c, Column (4)

Check the box in this column if your dependent is a qualifying child for the child tax credit (defined below). If you have at least one qualifying child, you may be able to take the child tax credit on line 43.

Qualifying Child for Child Tax Credit. A qualifying child for purposes of the child tax credit is a child who:

- Is claimed as your dependent on line 6c, **and**
- Was **under age 17** at the end of 1998, **and**
- Is your son, daughter, adopted child, grandchild, stepchild, or foster child, **and**

- Is a United States citizen or resident alien.

Note: *The above requirements are not the same as the requirements to be a qualifying child for the earned income credit.*

A child placed with you by an authorized placement agency for legal adoption is an **adopted child** even if the adoption is not final.

A **grandchild** is any descendant of your son, daughter, or adopted child and includes your great-grandchild, great-great-grandchild, etc.

A **foster child** is any child you cared for as your own child and who lived with you for all of 1998. A child who was born or died in 1998 is considered to have lived with you for all of 1998 if your home was the child's home for the entire time he or she was alive during 1998.

Children Who Did Not Live With You Due to Divorce or Separation

If you are claiming a child who did not live with you under the rules in **Pub. 501** for children of divorced or separated parents, attach **Form 8332** or similar statement to your return. But see **Exception** below. If your divorce decree or separation agreement went into effect after 1984 and it states you can claim the child as your dependent without regard to any condition, such as payment of support, you may attach a copy of the following pages from the decree or agreement instead.

1. Cover page (put the other parent's SSN on that page),
2. The page that states you can claim the child as your dependent, and
3. Signature page with the other parent's signature and date of agreement.

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

Exception. You do not have to attach **Form 8332** or similar statement 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.

Other Dependent Children

Include 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 1998.

Income

Foreign-Source Income

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.

If you worked abroad, you may be able to exclude part or all of your earned income. For details, see **Pub. 54** and **Form 2555** or **2555-EZ**.

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 usually follow state law to determine what is community income and what is separate income. For details, see **Pub. 555**.

Rounding Off to Whole Dollars

To round off cents to the nearest whole dollar on your forms and schedules, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. 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.

Line 7

Wages, Salaries, Tips, etc.

Enter the total of your wages, salaries, tips, etc. If a joint return, also include your spouse's income. For most people, the amount to enter on this line should be shown in box 1 of their **Forms W-2**. But the following types of income must also be included in the total on line 7.

- Wages received as a **household employee** for which you did not receive a W-2 form because your employer paid you less than \$1,100 in 1998.

- **Tip income** you did not report to your employer. Also include **allocated tips** shown on your W-2 form(s) unless you can prove that you received less. Allocated tips should be shown in box 8 of your W-2 form(s). They are not included as income in box 1. See **Pub. 531** for more details.

Caution: You may owe social security and Medicare tax on unreported or allocated tips. See the instructions for line 52 on page 35.

- **Dependent care benefits**, which should be shown in box 10 of your W-2 form(s). But first complete **Form 2441** to see if you may exclude part or all of the benefits.

- **Employer-provided adoption benefits**, which should be shown in box 13 of your W-2 form(s) with code T. But first complete **Form 8839** to see if you may exclude part or all of the benefits.

- **Scholarship and fellowship grants** not reported on a W-2 form. Also, enter "SCH" and the amount on the dotted line next to line 7. **Exception.** If you were a degree candidate, include on line 7 **only** the amounts you used for expenses other than tuition and course-related expenses. For example, amounts used for room, board, and travel must be reported on line 7.

- **Excess salary deferrals.** The amount deferred should be shown in box 13 of your W-2 form and the "Deferred compensation" box in box 15 should be checked. If the total amount you (or your spouse if filing jointly) deferred for 1998 under **all** plans was more than \$10,000, include the excess on line 7. 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. See **Pub. 575** for details.

Caution: You may **not** deduct the amount deferred. It is not included as income in box 1 of your W-2 form.

- **Disability pensions** shown on **Form 1099-R** if you have not reached the minimum retirement age set by your employer. Disability pensions received after you reach that age and other pensions shown on Form 1099-R (other than payments from an IRA*) are reported on lines 16a and 16b.

- **Corrective distributions** shown on **Form 1099-R** of (1) excess salary deferrals and (2) excess contributions to a retirement plan. But do not include distributions from an IRA* on line 7. Instead, report them on lines 15a and 15b.

*This includes a Roth, SEP, SIMPLE, or education IRA.

Were You a Statutory Employee?

If you were, 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 have related business expenses to deduct, report the amount shown in box 1 of your W-2 form on **Schedule C** or **C-EZ** along with your expenses.

Missing or Incorrect Form W-2?


If you do not get a W-2 form from your employer by February 1, 1999, use Tele-Tax topic 154 (see page 9) to find out what to do. Even if you do not get a W-2, you must still report your earnings on line 7. If you lose your Form W-2 or it is incorrect, ask your employer for a new one.

Line 8a

Taxable Interest

Each payer should send you a **Form 1099-INT** or **Form 1099-OID**. Report **all** of your taxable interest income on line 8a. But you must fill in and attach **Schedule B** 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.

Interest credited in 1998 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 1998 income. For details, see **Pub. 550**.

 If you get a 1998 Form 1099-INT for U.S. savings bond interest that includes amounts you reported before 1998, see **Pub. 550**.

Line 8b

Tax-Exempt Interest

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



Need More Information or Forms? You can use a personal computer, fax, or phone to get what you need. See page 6.

Line 9

Ordinary Dividends

Each payer should send you a **Form 1099-DIV**. You must fill in and attach **Schedule B** if your total ordinary dividends are over \$400 or you received, as a nominee, dividends that actually belong to someone else. If you do not have to fill in Schedule B, include on line 9 only ordinary dividends.

Capital Gain Distributions

If you received any capital gain distributions, report them on **Schedule D**, line 13.

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, see **Pub. 550**.



Dividends on insurance policies 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



None of your refund is taxable if, in the year you paid the tax, you did not itemize deductions.

If you received a refund, credit, or offset of state or local income taxes in 1998, you may receive a **Form 1099-G**. If you chose to apply part or all of the refund to your 1998 estimated state or local income tax, the amount applied is treated as received in 1998. If the refund was for a tax you paid in 1997 and you itemized deductions for 1997, use the worksheet on this page to see if any of your refund is taxable.

Exceptions

See **Recoveries** in **Pub. 525** instead of using the worksheet if **any** of the following applies:

- You received a refund in 1998 that is for a tax year other than 1997.
- You received a refund other than an income tax refund, such as a real property tax refund, in 1998 of an amount deducted or credit claimed in an earlier year.
- Your 1997 taxable income was less than zero.
- You made your last payment of 1997 estimated state or local income tax in 1998.
- You owed alternative minimum tax in 1997.
- You could not deduct the full amount of credits you were entitled to in 1997 because the total credits exceeded the tax shown on your 1997 Form 1040, line 39.

- You could be claimed as a dependent by someone else in 1997.

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

1. You had to use the Itemized Deductions Worksheet in the 1997 Schedule A instructions because your 1997 adjusted gross income was over \$121,200 (over \$60,600 if married filing separately).
2. You could not deduct all of the amount on line 1 of the 1997 Itemized Deductions Worksheet.
3. The amount on line 8 of that 1997 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 1998.

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). But do not enter more than the amount on your 1997 Schedule A (Form 1040), line 5	1.	<input type="text"/>
2. Enter your total allowable itemized deductions from your 1997 Schedule A (Form 1040), line 28	2.	<input type="text"/>
Note: If the filing status on your 1997 Form 1040 was married filing separately and your spouse itemized deductions in 1997, 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 1997 Form 1040:	3.	<input type="text"/>
• Single, enter \$4,150	}	
• Married filing jointly or Qualifying widow(er), enter \$6,900		
• Married filing separately, enter \$3,450		
• Head of household, enter \$6,050		
4. Did you fill in line 34a on your 1997 Form 1040? No. Enter -0-. Yes. Multiply the number on line 34a of your 1997 Form 1040 by: \$800 if your 1997 filing status was married filing jointly or separately or qualifying widow(er); \$1,000 if your 1997 filing status was single or head of household.		4.
5. Add lines 3 and 4	5.	<input type="text"/>
6. Subtract line 5 from line 2. If zero or less, enter -0-	6.	<input type="text"/>
7. Taxable part of your refund. Enter the smaller of line 1 or line 6 here and on Form 1040, line 10	7.	<input type="text"/>

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 do not, you may have to pay a \$50 penalty. For more details, use TeleTax topic 406 (see page 9) or see **Pub. 504**.

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 **C-EZ**.

Line 13

Capital Gain or (Loss)

If you had a capital gain or loss, including any **capital gain distributions** from a mutual fund, you **must** complete **Schedule D**.

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

You should receive a **Form 1099-R** showing the amount of the distribution from your individual retirement arrangement (IRA). Unless otherwise noted in the line 15a and 15b instructions, an IRA includes a traditional IRA, Roth IRA, education (Ed) IRA, simplified employee pension (SEP) IRA, and a savings incentive match plan for employees (SIMPLE) IRA. Leave line 15a blank and enter the total distribution on line 15b.

Exception. Do not enter your total IRA distribution on line 15b if **any** of the following applies.

1. You made nondeductible contributions to any of your traditional or SEP IRAs for 1998 or an earlier year. Instead, use **Form 8606** to figure the amount to enter on line 15b; enter the total distribution on line 15a. If you made nonde-

ductible contributions to these IRAs for 1998, also see **Pub. 590**.

2. You converted part or all of a traditional, SEP, or SIMPLE IRA to a Roth IRA. Instead, use Form 8606 to figure the amount to enter on line 15b; enter the total distribution on line 15a.

3. You made an excess contribution in 1998 to your IRA and withdrew it during the period of January 1, 1999, through April 15, 1999. Enter the total distribution on line 15a and the taxable part (the earnings) on line 15b.

4. You received a distribution from an Ed or Roth IRA and the total distribution was not rolled over into another IRA of the same type. Instead, use Form 8606 to figure the amount to enter on line 15b; enter the total distribution on line 15a.

5. You rolled your IRA distribution over into another IRA of the same type (for example, from one traditional IRA to another traditional IRA). Enter the total distribution on line 15a and write "Roll-over" next to line 15b. 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 1 above also applies, use Form 8606 to figure the taxable part.

If you rolled over the distribution (a) in 1999 or (b) from a conduit IRA into a qualified plan, attach a statement explaining what you did.

Caution: *You may have to pay an additional tax if (1) you received an early distribution from your IRA and the total distribution was not rolled over, or (2) you were born before July 1, 1927, and received less than the minimum required distribution. See the instructions for line 53 on page 35 for details.*

Lines 16a and 16b

Pensions and Annuities

You should receive a **Form 1099-R** showing the amount of your pension and annuity payments. See page 24 for details on rollovers and lump-sum distributions. **Do not** include the following payments on lines 16a and 16b. Instead, report them on line 7.

- Disability pensions received before you reach the minimum retirement age set by your employer.

- Corrective distributions of excess salary deferrals or excess contributions to retirement plans.



Attach Form 1099-R to Form 1040 if any Federal income tax was withheld.

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 (see page 23) of your pension or annuity, or

2. You got your entire cost back tax free before 1998.

Fully taxable pensions and annuities also include military retirement pay shown on Form 1099-R. For details on military disability pensions, see **Pub. 525**. If you received a **Form RRB-1099-R**, see **Pub. 575** to find out how to report your benefits.

Partially Taxable Pensions and Annuities

If your pension or annuity is partially taxable and your Form 1099-R does not show the taxable part, you must use the General Rule to figure the taxable part. The General Rule is explained in **Pub. 939**. However, if your annuity starting date (defined below) was **after** July 1, 1986, you may be able to use the Simplified Method explained below. But if your annuity starting date was **after** November 18, 1996, and items 1, 2, and 3 under **Simplified Method** apply, you **must** use the Simplified Method to figure the taxable part.

You can ask the IRS to figure the taxable part for you for a \$80 fee. 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 the Simplified Method.

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 Method

If your annuity starting date (defined above) was **after** July 1, 1986, and **all three** of the following apply, you can use this simpler method. But if your an-



Need More Information or Forms? You can use a personal computer, fax, or phone to get what you need. See page 6.

nuity starting date was **after** November 18, 1996, and **all three** of the following apply, you **must** use the Simplified Method.

1. The payments are for **(a)** your life or **(b)** your life and that of your beneficiary.

2. The payments are from a qualified employee plan, a qualified employee annuity, or a tax-sheltered annuity.

3. 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. See Pub. 575 for the definition of guaranteed payments.

If all three apply, use the worksheet on this page to figure the taxable part of your pension or annuity. For more details on the Simplified Method, see Pub. 575 or **Pub. 721** for U.S. Civil Service retirement.

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 worksheet on this page.

Age (or Combined Ages) 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. **But** if your annuity starting date was after 1997 and the payments are for your life and that of your beneficiary, use your combined ages on the 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, and **before** November 19, 1996, you may be able to change from the General Rule to the Simplified Method (or the other way around). For details, see Pub. 575 or Pub. 721.

Cost

Your cost is generally your net investment in the plan as of the annuity starting date. It should be shown in box 9b of Form 1099-R for the first year you received payments from the plan.

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



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 1998 on Form 1040, line 16a.

1. Enter the total pension or annuity payments received this year. Also, enter this amount on Form 1040, line 16a	1.	<input type="text"/>
2. Enter your cost in the plan at the annuity starting date plus any death benefit exclusion (see the next page)	2.	<input type="text"/>
3. Enter the appropriate number from Table 1 below. But if your annuity starting date was after 1997 and the payments are for your life and that of your beneficiary, enter the appropriate number from Table 2 below	3.	<input type="text"/>
4. Divide line 2 by the number on line 3	4.	<input type="text"/>
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.	<input type="text"/>
6. Enter the amount, if any, recovered tax free in years after 1986	6.	<input type="text"/>
7. Subtract line 6 from line 2	7.	<input type="text"/>
8. Enter the smaller of line 5 or line 7	8.	<input type="text"/>
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.	<input type="text"/>

TABLE 1 FOR LINE 3 ABOVE

IF the age at annuity starting date (see this page) was...	AND your annuity starting date was—	
	before November 19, 1996, enter on line 3...	after November 18, 1996, enter on line 3...
55 or under	300	360
56–60	260	310
61–65	240	260
66–70	170	210
71 or older	120	160

TABLE 2 FOR LINE 3 ABOVE

IF the combined ages at annuity starting date (see this page) were...	THEN enter on line 3...
110 or under	410
111–120	360
121–130	310
131–140	260
141 or older	210

Death Benefit Exclusion. If you are the beneficiary of a deceased employee or former employee who died **before** August 21, 1996, 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 amount you enter on line 2 of the worksheet on the previous page. Do this even if the Form 1099-R shows a taxable amount. The payer of the annuity cannot add the death benefit exclusion to your cost when figuring the taxable amount. 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, including a direct rollover, from one qualified employer's plan to another or to an IRA or SEP.

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**. From the total on line 16a, subtract any contributions (usually shown in box 5) that were taxable to you when made. From that result, subtract the amount that was rolled over either directly or within 60 days of receiving the distribution. Enter the remaining amount, even if zero, on line 16b. Also, enter "Rollover" next to 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. You may owe an additional tax if you received an early distribution from a qualified retirement plan and the total amount was not rolled over. For details, see the instructions for line 53 on page 35.

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



*You may be able to pay less tax on the distribution if you were at least age 59½ on the date of the distribution, you meet certain other conditions, and you choose to use **Form 4972** 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 either age 59½ or older on the date of death or was born before 1936. For details, see **Form 4972**.*

Line 19

Unemployment Compensation

You should receive a **Form 1099-G** showing the total unemployment compensation paid to you in 1998.

If you received an overpayment of unemployment compensation in 1998 and you repaid any of it in 1998, 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 1998, 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 you repaid more than \$3,000, see **Repayments** in **Pub. 525** for details on how to report the repayment.

Lines 20a and 20b

Social Security Benefits

You should receive a **Form SSA-1099** showing in box 3 the total social security benefits paid to you. Box 4 will show the amount of any benefits you repaid in 1998. If you received railroad retirement benefits treated as social security, you should receive a **Form RRB-1099**.

To find out if any of your benefits are taxable, you will first need to complete Form 1040, lines 21, 23, and 25 through 31a, and figure any amount to be entered on the dotted line next to line 32. Then, complete the worksheet on the next page. However, **do not** use the worksheet if any of the following apply.

- You made contributions to a traditional IRA for 1998 and you were covered by a retirement plan at work or through self-employment. Instead, use the worksheets in **Pub. 590** to see if any of your social security benefits are taxable and to figure your IRA deduction.

- You repaid any benefits in 1998 and your total repayments (box 4) were more than your total benefits for 1998 (box 3). **None** of your benefits are taxable for 1998. 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. For more details, see **Pub. 915**.

- You file **Form 2555**, **2555-EZ**, **4563**, or **8815**, or you exclude employer-provided adoption benefits or 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 below. 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**.



***Do not** report any nontaxable income on line 21, such as child support; money or property that was inherited, willed to you, or received as a gift; or life insurance proceeds received because of a person's death.*

Do not report on this line any income from **self-employment** or fees received as a notary public. 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.
- Gambling winnings, including lotteries, raffles, etc. For details on gambling losses, see the instructions for Schedule A, line 27, on page A-6.
- Jury duty fees. Also, see the instructions for line 32 on page 28.
- Alaska Permanent Fund dividends.
- Reimbursements or other amounts received for items deducted in an earlier year, such as medical expenses, real estate taxes, or home mortgage interest. See **Recoveries** in **Pub. 525** for details on how to figure the amount to report.
- Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property. Also, see the instructions for line 32 on page 28.
- Income from an activity not engaged in for profit. See **Pub. 535**.
- Loss on certain corrective distributions of excess deferrals. See **Pub. 575**.

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 1998, 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. Add the amounts on Form 1040, lines 23, and 25 through 31a, and any amount you entered on the dotted line next to line 32 6.
7. Subtract line 6 from line 5 7.
8. Enter: \$25,000 if single, head of household, qualifying widow(er), or married filing separately and you **lived apart** from your spouse for all of 1998; \$32,000 if married filing jointly; -0- if married filing separately and you lived with your spouse at any time in 1998 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. You do not have to enter any amounts on lines 20a or 20b of Form 1040. **But** if you are married filing separately and you **lived apart** from your spouse for all of 1998, 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 if single, head of household, qualifying widow(er), or married filing separately and you **lived apart** from your spouse for all of 1998; \$12,000 if married filing jointly; -0- if married filing separately and you lived with your spouse at any time in 1998 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.

TIP If part of your benefits are taxable for 1998 **and** they include benefits paid in 1998 that were for an earlier year, you may be able to reduce the taxable amount shown on the worksheet. See Pub. 915 for details.

Adjusted Gross Income

Line 23

IRA Deduction

TIP If you make any nondeductible contributions to a traditional IRA for 1998, you must report them on **Form 8606**.

If you made contributions to a traditional individual retirement arrangement (IRA) for 1998, you may be able to take an IRA deduction. But you must have had earned income to do so. For IRA purposes, earned income includes certain alimony received. See **Pub. 590** for details. You should receive a statement by June 1, 1999, that shows all contributions to your traditional IRA for 1998.

Use the worksheet on the next page to figure the amount, if any, of your IRA deduction. **But read the following list before you fill in the worksheet.**

- If you were age 70½ or older at the end of 1998, you **cannot** deduct any contributions made to your traditional IRA for 1998 or treat them as nondeductible contributions.
- You **cannot** deduct contributions to a Roth IRA or an education IRA.

Caution: If you made contributions to both a traditional IRA and a Roth IRA for 1998, **do not** use the worksheet on the next page. Instead, use the worksheet in **Pub. 590** to figure the amount, if any, of your IRA deduction.

- You **cannot** deduct contributions to a 401(k) plan, SIMPLE plan, or the Federal Thrift Savings Plan. These amounts are not included as income in box 1 of your W-2 form.
- You will first need to complete Form 1040, lines 25 through 31a, and figure any amount to be entered on the dotted line next to line 32.

- If you made contributions to your IRA in 1998 that you deducted for 1997, **do not** include them in the worksheet.
- If you received a distribution from a nonqualified deferred compensation plan or section 457 plan that is included in box 1 of your W-2 form, do not include that distribution on line 8 of the

worksheet. The distribution should be shown in box 11 of your W-2 form.

- You must file a joint return to deduct contributions to your spouse's IRA. Enter the total IRA deduction for you and your spouse on line 23.

- Do not include rollover contributions in figuring your deduction. Instead, see the instructions for lines 15a and 15b on page 22.

- 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.

- If the total of your IRA deduction on Form 1040 plus any nondeductible contribution to your traditional IRAs shown on Form 8606 is less than your total traditional IRA contributions for 1998, see Pub. 590 for special rules.



By April 1 of the year after the year in which you turn age 70½, you must start taking minimum required distributions from your traditional IRA. If you do not, you may have to pay a 50% additional tax on the amount that should have been distributed. For details, including how to figure the minimum required distribution, see Pub. 590.

(continued)

IRA Deduction Worksheet—Line 23

(keep for your records)



Before you begin, read the list that begins on page 25.

	Your IRA	Spouse's IRA
1a. Were you covered by a retirement plan (see the next page)?	1a. <input type="checkbox"/> Yes <input type="checkbox"/> No	
1b. If married filing jointly, was your spouse covered by a retirement plan?		1b. <input type="checkbox"/> Yes <input type="checkbox"/> No
Next: If you checked "No" on line 1a, and, if married filing jointly, "No" on line 1b, skip lines 2–6, enter \$2,000 on line 7a (and 7b if applicable), and go to line 8. Otherwise, go to line 2.		
2. Enter the amount shown below for your filing status:		
<ul style="list-style-type: none"> Single, head of household, or married filing separately and you lived apart from your spouse for all of 1998, enter \$40,000 Qualifying widow(er), enter \$60,000 Married filing jointly, enter \$60,000 in both columns. But if you checked "No" on either line 1a or 1b, enter \$160,000 for the person who was not covered by a plan Married filing separately and you lived with your spouse at any time in 1998, enter \$10,000 	2a. <input type="text"/>	2b. <input type="text"/>
3. Enter the amount from Form 1040, line 22 3.	<input type="text"/>	
4. Add amounts on Form 1040, lines 25 through 31a, and any amount you entered on the dotted line next to line 32 4.	<input type="text"/>	
5. Subtract line 4 from line 3. Enter the result in both columns. If this amount is equal to or more than the amount on line 2, none of your IRA contributions are deductible. Stop here. For details on nondeductible IRA contributions, see Form 8606	5a. <input type="text"/>	5b. <input type="text"/>
6. Subtract line 5 from line 2 in each column. If the result is \$10,000 or more, enter \$2,000 on line 7 and go to line 8 for that column	6a. <input type="text"/>	6b. <input type="text"/>
7. Multiply lines 6a and 6b 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	7a. <input type="text"/>	7b. <input type="text"/>
8. Enter your wages, and your spouse's if filing jointly, and other earned income from Form 1040, minus any deductions on Form 1040, lines 27 and 29. Do not reduce wages by any loss from self-employment 8.	<input type="text"/>	
Caution: If married filing jointly and line 8 is less than \$4,000, stop here and see Pub. 590 to figure your IRA deduction.		
9. Enter traditional IRA contributions made, or that will be made by April 15, 1999, for 1998 to your IRA on line 9a and to your spouse's IRA on line 9b	9a. <input type="text"/>	9b. <input type="text"/>
10. On line 10a, enter the smallest of line 7a, line 8, or line 9a. On line 10b, enter the smallest of line 7b, line 8, or line 9b. This is the most you can deduct. Add the amounts on lines 10a and 10b and enter the total on Form 1040, line 23. Or, if you want, you may deduct a smaller amount and treat the rest as a nondeductible contribution (see Form 8606)	10a. <input type="text"/>	10b. <input type="text"/>



Need More Information or Forms? You can use a personal computer, fax, or phone to get what you need. See page 6.

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, SIMPLE, 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 cannot 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, SEP, or SIMPLE retirement plan.

If you were covered by a retirement plan and you file **Form 2555, 2555-EZ, or 8815**, or you exclude employer-provided adoption benefits, see Pub. 590 to figure the amount, if any, of your IRA deduction.

Married Persons Filing Separately. 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 1998.

Line 24

Student Loan Interest Deduction

You may take this deduction if **all five** of the following apply.

1. You paid interest in 1998 on a qualified student loan (see this page).
2. At least part of the interest paid in 1998 was paid during the first 60 months that payments were required to be made. See **Example** on this page.
3. Your filing status is any status **except** married filing separately.
4. Your modified adjusted gross income (AGI) is less than: \$55,000 if single, head of household, or qualifying widow(er); \$75,000 if married filing jointly. Most people can use lines 3 through 5 of the worksheet on this page to figure their modified AGI.
5. You are not claimed as a dependent on someone's (such as your parent's) 1998 tax return.

If all five apply, use the worksheet on this page to figure your deduction. But first you will need to complete Form 1040, lines 25 through 31a, and figure any amount to be entered on the dotted line next to line 32.

Example. You took out a qualified student loan in 1991 while in college. You had 6 years to repay the loan and your first monthly payment was due July 1993, after you graduated. You made a payment every month as required. If you meet items 3 through 5 listed earlier, you may use only the interest you paid for January through June 1998 to figure your deduction. June is the end of the 60-month period (July 1993–June 1998).

Qualified Student Loan. This is any loan you took out to pay the qualified higher education expenses for yourself, your spouse, or anyone who was your dependent when the loan was taken out. The person for whom the expenses

were paid must have been an eligible student (see the next page). However, a loan is not a qualified student loan if **(1)** any of the proceeds were used for other purposes or **(2)** the loan was from either a related person or a person who borrowed the proceeds under a qualified employer plan or a contract purchased under such a plan. To find out who is a related person, see Pub. 970.

Qualified higher education expenses generally include tuition, fees, room and board, and related expenses such as books and supplies. The expenses must be for education in a degree, certificate, or similar program at an eligible educational institution. An eligible educational institution includes most colleges, universities, and certain vocational schools. You must reduce the expenses by the following nontaxable benefits:

- Employer-provided educational assistance benefits that are not included in box 1 of your W-2 form(s).

(continued)

Student Loan Interest Deduction Worksheet—Line 24 (keep for your records)



Caution: If you file **Form 2555, 2555-EZ, or 4563**, or you are excluding income from sources within Puerto Rico, skip lines 3 and 4 below and see Pub. 970 to figure your modified AGI to enter on line 5 below.

1. Enter the total interest you paid in 1998 on qualified student loans (defined on this page). Do not include interest that was required to be paid after the first 60 months	1.	<input type="text"/>
2. Enter the smaller of line 1 or \$1,000	2.	<input type="text"/>
3. Enter the amount from Form 1040, line 22	3.	<input type="text"/>
4. Enter the total of the amounts from Form 1040, line 23, lines 25 through 31a, plus any amount you entered on the dotted line next to line 32	4.	<input type="text"/>
5. Modified AGI. Subtract line 4 from line 3	5.	<input type="text"/>
Note: If line 5 is \$55,000 or more if single, head of household, or qualifying widow(er) or \$75,000 or more if married filing jointly, stop here . You cannot take the deduction.		
6. Enter: \$40,000 if single, head of household, or qualifying widow(er); \$60,000 if married filing jointly	6.	<input type="text"/>
7. Subtract line 6 from line 5. If zero or less, enter -0- here and on line 9, skip line 8, and go to line 10	7.	<input type="text"/>
8. Divide line 7 by \$15,000. Enter the result as a decimal (rounded to at least three places)	8.	<input type="text"/>
9. Multiply line 2 by line 8	9.	<input type="text"/>
10. Student loan interest deduction. Subtract line 9 from line 2. Enter the result here and on Form 1040, line 24. Do not include this amount in figuring any other deduction on your return (such as on Schedule A, C, E, etc.)	10.	<input type="text"/>

- Excludable U.S. series EE savings bond interest from **Form 8815**.
- Qualified distributions from an education IRA.
- Any scholarship, educational assistance allowance, or other payment (but **not** gifts, inheritances, etc.) excluded from income.

For more details on these expenses, see Pub. 970.

An **eligible student** is a person who:

- Was enrolled in a degree, certificate, or other program (including a program of study abroad that was approved for credit by the institution at which the student was enrolled) leading to a recognized educational credential at an eligible educational institution, and
- Carried at least half the normal full-time work load for the course of study he or she was pursuing.

Line 25

Medical Savings Account Deduction

If you made contributions to a medical savings account for 1998, you may be able to take this deduction. See **Form 8853**.

Line 26

Moving Expenses

If you moved in connection with your job or business or started a new job, you may be able to take this deduction. But your new workplace must be 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. Use TeleTax topic 455 (see page 9) or see **Form 3903**.

Line 27

One-Half of Self-Employment Tax

If you were self-employed and owe self-employment tax, fill in **Schedule SE** to figure the amount of your deduction.

Line 28

Self-Employed Health Insurance Deduction

If you were self-employed and had a net profit for the year, or if you received wages in 1998 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 for yourself, your spouse, and dependents. The insurance plan must be established under your business. 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 1998, 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 cov-

erage for September through December to figure your deduction. For more details, see **Pub. 535**.

If you qualify to take the deduction, use the worksheet on this page to figure the amount you can deduct. But if any of the following apply, **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** or **2555-EZ**.
- You are using amounts paid for qualified long-term care insurance to figure the deduction.

Line 29

Keogh and Self-Employed SEP and SIMPLE Plans

If you were self-employed or a partner, you may be able to take this deduction. See **Pub. 560**.

Line 30

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.

Lines 31a and 31b

Alimony Paid

If you made payments to or for your spouse or former spouse under a divorce or separation instrument, you may be able to take this deduction. Use TeleTax topic 452 (see page 9) or see **Pub. 504**.

Self-Employed Health Insurance Deduction Worksheet— Line 28 (keep for your records)



1. Enter the total amount paid in 1998 for health insurance coverage established under your business for 1998 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 45% (.45)	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 27 and 29.	3.	
4. Self-employed health insurance deduction. Enter the smaller of line 2 or line 3 here and on Form 1040, line 28. 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 the S corporation under which the insurance plan is established, earned income is your wages from that corporation.

Line 32

Include in the total on line 32 any of the following adjustments. To find out if you can take the deduction, see the form or publication indicated. On the dotted line next to line 32, enter the amount of your deduction and identify it as indicated.

- Performing-arts-related expenses (see **Form 2106** or **2106-EZ**). Identify as "QPA."
- Jury duty pay given to your employer (see **Pub. 525**). Identify as "Jury Pay."
- Deductible expenses related to income reported on line 21 from the rental of personal property engaged in for profit. Identify as "PPR."



Need More Information or Forms? You can use a personal computer, fax, or phone to get what you need. See page 6.

- Reforestation amortization (see **Pub. 535**). Identify as "RFST."

- Repayment of supplemental unemployment benefits under the Trade Act of 1974 (see **Pub. 525**). Identify as "Sub-Pay TRA."

- Contributions to section 501(c)(18) pension plans (see **Pub. 575**). Identify as "501(c)(18)."

- Deduction for clean-fuel vehicles (see **Pub. 535**). Identify as "Clean-Fuel."

- Employee business expenses of fee-basis state or local government officials (see **Form 2106** or **2106-EZ**). Identify as "FBO."

Line 33

If line 33 is less than zero, you may have a net operating loss that you can carry to another tax year. See **Pub. 536**.

Tax and Credits

Line 35a

If you were age 65 or older or blind, check the appropriate boxes on line 35a. If you were married and checked the box on line 6b of Form 1040 and your spouse was age 65 or older or blind, also check the appropriate boxes for your spouse. Be sure to enter the total number of boxes checked.

Age

If you were age 65 or older on January 1, 1999, check the "65 or older" box on your 1998 return.

Blindness

If you were partially blind as of December 31, 1998, you must get a statement certified by your eye doctor or registered optometrist that:

- You cannot 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, you must also get a statement certified by your eye doctor or registered optometrist to this effect. You must keep the statement for your records.

Line 35b

If your spouse itemizes deductions on a separate return or if you were a dual-status alien, check the box on line 35b. 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 1998 and you and your spouse agree to be taxed on your combined worldwide income, **do not** check the box.

Standard Deduction Chart for People Age 65 or Older or Blind—Line 36

If someone can claim you (or your spouse if married filing jointly) as a dependent, use the worksheet below instead.

Enter the number from the box on line 35a of Form 1040 **Caution: Do not use the number of exemptions from line 6d.**

IF your filing status is . . .	AND the number in the box above is . . .	THEN your standard deduction is . . .
Single	1	\$5,300
	2	6,350
Married filing jointly or Qualifying widow(er)	1	\$7,950
	2	8,800
	3	9,650
	4	10,500
Married filing separately	1	\$4,400
	2	5,250
	3	6,100
	4	6,950
Head of household	1	\$7,300
	2	8,350

Standard Deduction Worksheet for Dependents—Line 36

(keep for your records)



Use this worksheet **only** if someone can claim you (or your spouse if married filing jointly) as a dependent.

1. Add \$250 to your earned income (defined below). Enter the total	1.	<input type="text"/>
2. Minimum standard deduction	2.	700.00
3. Enter the larger of line 1 or line 2	3.	<input type="text"/>
4. Enter: \$4,250 if single; \$3,550 if married filing separately; \$7,100 if married filing jointly or qualifying widow(er); \$6,250 if head of household	4.	<input type="text"/>
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 36. Otherwise, go to line 5b	5a.	<input type="text"/>
b. If 65 or older or blind, multiply the number on Form 1040, line 35a, by: \$1,050 if single or head of household; \$850 if married filing jointly or separately or qualifying widow(er)	5b.	<input type="text"/>
c. Add lines 5a and 5b. Enter the total here and on Form 1040, line 36	5c.	<input type="text"/>

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 27.

Line 36

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.

Caution: If you checked the box on **line 35b**, your standard deduction is zero.

Itemized Deductions

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

Standard Deduction

Most people can find their standard deduction by looking at line 36 of Form 1040. But if you checked **any** box on **line 35a** OR you (or your spouse if filing

jointly) can be claimed as a dependent, use the chart or worksheet on page 29 that applies to you to figure your standard deduction. Also, if you checked the box on **line 35b**, your standard deduction is zero, even if you were age 65 or older or blind.

Electing To Itemize for State Tax or Other Purposes

If you itemize even though your itemized deductions are less than your standard deduction, enter "IE" next to line 36.

Line 39

Taxable Income

If You Want, the IRS Will Figure Your Tax and Some of Your Credits

Tax. If you have paid too much, we will send you a refund. If you did not pay

enough, we will send you a bill. For details, including who is eligible and what to do, see **Pub. 967**.

Credit for the Elderly or the Disabled. If you can take this credit and you want us to figure it for you, see the instructions for **Schedule R**.

Earned Income Credit (EIC). Answer the questions on page 37 to see if you can take this credit. If you can take the EIC and you want us to figure it for you, follow the instructions for question 4 or 9, whichever applies.

Line 40

Tax

Use one of the following methods to figure your tax. Also include in the total on line 40 any tax from **Form 4972** or **Form 8814**. Be sure to check the appropriate box.

Tax Table or Tax Rate Schedules

You must use the Tax Table or Tax Rate Schedules to figure your tax unless you are required to use **Form 8615** or **Schedule D**, or you use **Schedule J** (for farm income). If your taxable income is less than \$100,000, you **must** use the Tax Table, which starts on page 52. Be sure you use the correct column. If your taxable income is \$100,000 or more, use the Tax Rate Schedules on page 64.

Schedule D

If you had a net capital gain on Schedule D (both lines 16 and 17 of Schedule D are gains) and the amount on Form 1040, line 39, is more than zero, use Part IV of Schedule D to figure your tax.

Form 8615

Form 8615 must generally be used to figure the tax for any child who was under age 14 on January 1, 1999, and who had more than \$1,400 of investment income, such as taxable interest or dividends. But if neither of the child's parents was alive on December 31, 1998, do not use Form 8615 to figure the child's tax.

Schedule J

If you had income from farming, your tax may be less if you choose to figure it using income averaging on Schedule J.

Deduction for Exemptions Worksheet—Line 38 (keep for your records)



1. Is the amount on Form 1040, line 34, more than the amount shown on line 4 below for your filing status? No. Stop. Multiply \$2,700 by the total number of exemptions claimed on Form 1040, line 6d, and enter the result on line 38. Yes. Go to line 2.		
2. Multiply \$2,700 by the total number of exemptions claimed on Form 1040, line 6d	2.	<input type="text"/>
3. Enter the amount from Form 1040, line 34	3.	<input type="text"/>
4. Enter the amount shown below for your filing status: • Single, enter \$124,500 • Married filing jointly or Qualifying widow(er), enter \$186,800 • Married filing separately, enter \$93,400 • Head of household, enter \$155,650	4.	<input type="text"/>
5. Subtract line 4 from line 3. If zero or less, stop ; enter the amount from line 2 above on Form 1040, line 38	5.	<input type="text"/>
Note: If line 5 is more than: \$122,500 if single, married filing jointly, head of household, or qualifying widow(er); \$61,250 if married filing separately, stop ; you cannot take a deduction for exemptions. Enter -0- on Form 1040, line 38.		
6. Divide line 5 by: \$2,500 if single, married filing jointly, head of household, or qualifying widow(er); \$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).	6.	<input type="text"/>
7. Multiply line 6 by 2% (.02) and enter the result as a decimal amount	7.	<input type="text"/>
8. Multiply line 2 by line 7	8.	<input type="text"/>
9. Deduction for exemptions. Subtract line 8 from line 2. Enter the result here and on Form 1040, line 38	9.	<input type="text"/>



Need More Information or Forms? You can use a personal computer, fax, or phone to get what you need. See page 6.

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. For details, use TeleTax topic 602 (see page 9) or see **Form 2441**.

Line 42

Credit for the Elderly or the Disabled

You may be able to take this credit if by the end of 1998 (1) you were age 65 or older, or (2) you retired on **permanent and total disability** and you had taxable disability income. But you usually **cannot** take the credit if the amount on Form 1040, line 34, is \$17,500 or more (\$20,000 if married filing jointly and only one spouse is eligible for the credit; \$25,000 if married filing jointly and both spouses are eligible; \$12,500 if married filing separately). See **Schedule R**.

Line 43

Child Tax Credit



This credit is in addition to the child and dependent care credit and the earned income credit that you may be able to claim.

What Is the Child Tax Credit?

The child tax credit is a credit for people who have a qualifying child; it reduces tax people owe. The credit can be as much as \$400 for each qualifying child.

Note: *If the amount on Form 1040, line 40, is zero, you **cannot** take this credit because there is no tax to reduce. But if you have three or more qualifying children, you may be able to take the additional child tax credit on Form 1040, line 60. To find out if you can, you will need to complete the **Child Tax Credit Worksheet** on page 32 even though you cannot take the credit.*

How Do You Figure the Credit?

Use the **Child Tax Credit Worksheet** on page 32 to figure the amount of your credit. If you are going to claim an education credit on Form 1040, line 44, you need to know the amount of that credit to figure your child tax credit. Complete **Form 8863** and enter your education credit(s) on Form 1040, line 44.

You may also need to know the following information.

Modified adjusted gross income is the amount from Form 1040, line 34, increased by the total of any:

- Exclusion of income from Puerto Rico, **and**
- Amount from **Form 2555**, lines 43 and 48; **Form 2555-EZ**, line 18; and **Form 4563**, line 15.

Who Is a Qualifying Child?

A qualifying child is a child who:

- Is claimed as your dependent on Form 1040, line 6c, **and**
- Was **under age 17** at the end of 1998, **and**
- Is your son, daughter, adopted child, grandchild, stepchild, or foster child, **and**
- Is a United States citizen or resident alien.

Note: *The above requirements are not the same as the requirements to be a qualifying child for the earned income credit.*

A child placed with you by an authorized placement agency for legal adoption is an **adopted child** even if the adoption is not final.

A **grandchild** is any descendant of your son, daughter, or adopted child and includes your great-grandchild, great-great-grandchild, etc.

A **foster child** is any child you cared for as your own child and who lived with you for all of 1998. A child who was born or died in 1998 is considered to have lived with you for all of 1998 if your home was the child's home for the entire time he or she was alive in 1998.

To find out who is a **resident alien**, use TeleTax topic 851 (see page 9) or see **Pub. 519**.

Caution: *Make sure you checked the box in column (4) of line 6c for each qualifying child.*

Additional Child Tax Credit

You may be able to take the additional child tax credit on Form 1040, line 60, if **both 1 and 2** below apply.

1. The amount on line 1 of the **Child Tax Credit Worksheet** is more than \$800.
2. The amount on line 7 of the Child Tax Credit Worksheet is more than the amount on line 11 of that worksheet.

But first complete your return through line 59b. Then, complete **Form 8812** to figure any additional child tax credit.



Child Tax Credit Worksheet—Line 43

Do Not File



► Keep for your records.

1. \$400.00 × _____ . Multiply and enter the result	1.		
▲ Enter number of qualifying children (see page 31)			
2. Are you filing Form 2555, 2555-EZ, or 4563 , or are you excluding income from Puerto Rico?			
<input type="checkbox"/> No. Enter the amount from Form 1040, line 34.	}	2.	
<input type="checkbox"/> Yes. Enter your modified adjusted gross income (see page 31).			
3. Enter the amount shown below for your filing status:			
• Married filing jointly, enter \$110,000	}	3.	
• Single, head of household, or qualifying widow(er), enter \$75,000			
• Married filing separately, enter \$55,000			
4. Is line 2 more than line 3?			
<input type="checkbox"/> No. Skip lines 4 and 5, enter -0- on line 6, and go to line 7.	}	4.	
<input type="checkbox"/> Yes. Subtract line 3 from line 2			
5. Divide line 4 by \$1,000. If the result is not a whole number, round it up to the next higher whole number (for example, round 0.01 to 1)		5.	
6. Multiply \$50 by the number on line 5.		6.	
7. Subtract line 6 from line 1. If zero or less, stop here ; you cannot take this credit		7.	
8. Enter the amount from Form 1040, line 40		8.	
9. Is line 1 above more than \$800?			
<input type="checkbox"/> No. Add the amounts from Form 1040, lines 41, 42, and 44. Enter the total.	}	9.	
<input type="checkbox"/> Yes. Enter the amount from the worksheet on page 33.			
10. Subtract line 9 above from line 8		10.	
11. Child tax credit. Enter the smaller of line 7 or line 10 here and on Form 1040, line 43		11.	



*If line 1 above is more than \$800, you may be able to take the **Additional Child Tax Credit**. See page 31.*



Line 9 of Child Tax Credit Worksheet on Page 32 (keep for your records)

Use this worksheet **only** if you checked "Yes" on line 9 of the worksheet on page 32.

1. Add the amounts from Form 1040, lines 41, 42, and 44. Enter the total	1.	<input type="text"/>	<input type="text"/>
2. Are you claiming any of the following credits: the adoption credit (Form 8839), the mortgage interest credit (Form 8396), or the District of Columbia first-time homebuyer credit (Form 8859)?			
<input type="checkbox"/> No. Stop here; enter the amount from line 1 above on line 9 of the worksheet on page 32.			
<input type="checkbox"/> Yes. Enter the amount from line 7 of the worksheet on page 32			
Next, complete Form 1040, lines 52, 59a, 59b, and 62 if they apply to you. Then, go to line 3 below.			
3. Enter the total social security and Medicare taxes withheld from your pay (and your spouse's if filing a joint return). These taxes should be shown in boxes 4 and 6 of your W-2 form(s). If you worked for a railroad, see below	3.	<input type="text"/>	<input type="text"/>
4. Enter the total of the amounts from Form 1040, line 27 and line 52, plus any uncollected social security and Medicare or RRTA tax on tips or group-term life insurance. This tax should be shown in box 13 of your W-2 form(s) with codes A and B or M and N .	4.	<input type="text"/>	<input type="text"/>
5. Add lines 3 and 4	5.	<input type="text"/>	<input type="text"/>
6. Add the amounts from Form 1040, lines 59a and 62. Enter the total	6.	<input type="text"/>	<input type="text"/>
7. Subtract line 6 from line 5. If zero, stop here; enter the amount from line 1 above on line 9 of the worksheet on page 32	7.	<input type="text"/>	<input type="text"/>
8. Subtract line 7 from line 2. If line 7 is more than line 2, enter -0-. This is your child tax credit for purposes of figuring the credits listed on line 2	8.	<input type="text"/>	<input type="text"/>
Next, complete the applicable credit form(s) listed on line 2. Use the amount from line 8 above in place of the amount from Form 1040, line 43. Then, go to line 9 below.			
9. Enter the total of any adoption credit from Form 8839, line 14, mortgage interest credit from Form 8396, line 11, and District of Columbia first-time homebuyer credit from Form 8859, line 11	9.	<input type="text"/>	<input type="text"/>
10. Add lines 1 and 9. Enter the total here and on line 9 of the worksheet on page 32	10.	<input type="text"/>	<input type="text"/>

Railroad Employees. Include the following taxes in the total on line 3 above.

- Tier 1 tax withheld from your pay. This tax should be shown in box 14 of your W-2 form(s) and identified as "Tier 1 tax."
- If you were an employee representative, 50% of the total Tier 1 tax and Tier 1 Medicare tax you paid for 1998.

Line 44

Education Credits

If you (or your dependent) paid expenses in 1998 for yourself, your spouse, or your dependent to enroll in or attend the first 2 years of post-secondary education, you may be able to take the Hope credit. For qualified expenses paid after June 30, 1998, you may be able to take the lifetime learning credit. See **Form 8863** for details. However, if you are married filing separately, you **cannot** take either credit.

Line 45

Adoption Credit

You may be able to take this credit if you paid expenses in 1997 or 1998 to adopt a child. See **Form 8839** for details.

Line 46

Foreign Tax Credit

If you paid income tax to a foreign country, you may be able to take this credit. But you must complete and attach **Form 1116** to do so.

Exception. You do not have to file Form 1116 to take this credit if **all five** of the following apply.

1. All of your gross foreign-source income is from interest and dividends and all of that income and the foreign tax paid on it is reported to you on **Form**

1099-INT or **Form 1099-DIV** (or substitute statement).

2. If you have dividend income from shares of stock, you held those shares for at least 16 days.

3. You are not filing **Form 4563** or excluding income from sources within Puerto Rico.

4. The total of your foreign taxes is not more than \$300 (not more than \$600 if married filing jointly).

5. All of your foreign taxes were:

- Legally owed and not eligible for a refund, and
- Paid to countries that are recognized by the United States and do not support terrorism.

If you meet all five requirements, enter your total foreign tax on line 46. If you do not, see Form 1116 to find out if you can take the credit and, if you can, if you have to file Form 1116. If you need more information about these requirements, see the instructions for Form 1116.

Line 47

Other Credits

Include in the total on line 47 any of the following credits and check the appropriate box. If box **d** is checked, also enter the form number. To find out if you can take the credit, see the form or publication indicated.

• Mortgage interest credit. If a state or local government gave you a mortgage credit certificate, see **Form 8396**.

• Credit for prior year minimum tax. If you paid alternative minimum tax in a prior year, see **Form 8801**.

• Qualified electric vehicle credit. If you placed a new electric vehicle in service in 1998, see **Form 8834**.

• General business credit. This credit consists of a number of credits that usually apply only to individuals who are partners, shareholders in an S corporation, self-employed, or who have rental property. See **Form 3800** or **Pub. 334**.

• Empowerment zone employment credit. See **Form 8844**.

• District of Columbia first-time homebuyer credit. See **Form 8859**.

Line 48

If you sold fuel produced from a non-conventional source, see Internal Revenue Code section 29 to find out if you can take the **nonconventional source fuel credit**. If you can, attach a sched-

ule showing how you figured the credit. Include the credit in the total on line 48. Enter the amount and "FNS" on the dotted line next to line 48.

Other Taxes

Line 51

Alternative Minimum Tax

Use the worksheet on this page to see if you should complete **Form 6251**.

Exception. If you claimed or received any of the following items, **do not** use the worksheet. Instead, fill in Form 6251.

1. Accelerated depreciation.
2. Income from incentive stock options.
3. Tax-exempt interest from private activity bonds.

4. Intangible drilling, circulation, research, experimental, or mining costs.

5. Amortization of pollution-control facilities or depletion.

6. Income or (loss) from tax-shelter farm activities or passive activities.

7. Percentage-of-completion income from long-term contracts.

8. Interest paid on a home mortgage **not** used to buy, build, or substantially improve your home.

9. Investment interest expense reported on **Form 4952**.

10. Foreign tax credit.

11. Net operating loss deduction.

12. Alternative minimum tax adjustments from an estate, trust, electing large partnership, or a cooperative.

13. Section 1202 exclusion.

Caution: *Form 6251 should be filled in for a child under age 14 if the child's adjusted gross income from Form 1040, line 34, exceeds the child's earned income by more than \$5,000.*

Worksheet To See If You Should Fill In Form 6251—Line 51 (keep for your records)



1. Enter the amount from Form 1040, line 37	1.	
2. If you itemized deductions on Schedule A, go to line 3. Otherwise, enter your standard deduction from Form 1040, line 36, and go to line 5	2.	
3. Enter the smaller of the amount on Schedule A, line 4, or 2.5% (.025) of the amount on Form 1040, line 34	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 if married filing jointly or qualifying widow(er); \$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 ; you do not need to fill in Form 6251	7.	
8. Enter: \$150,000 if married filing jointly or qualifying widow(er); \$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 if single, married filing jointly, head of household, or qualifying widow(er); \$87,500 if married filing separately, stop 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 40 (excluding any amount from Form 4972), fill in Form 6251 to see if you owe the alternative minimum tax. If line 12 is equal to or less than that amount, **do not** fill in Form 6251.



Need More Information or Forms? You can use a personal computer, fax, or phone to get what you need. See page 6.

Line 52

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, use **Form 4137**. 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 53

Tax on IRAs, Other Retirement Plans, and MSAs

If **any** of the following apply, see **Form 5329** and its instructions to find out if you owe this tax and if you must file Form 5329.

1. You received any early distributions from (a) an IRA or other qualified retirement plan, (b) an annuity, or (c) a modified endowment contract entered into after June 20, 1988.

2. You made excess contributions to your IRA or MSA.

3. You were born before July 1, 1927, and did not take the minimum required distribution from your IRA or other qualified retirement plan.

Exception. If **only** item 1 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 53. 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" next to line 53 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.

Line 54

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).

Line 55

Household Employment Taxes

If **any** of the following apply, see **Schedule H** and its instructions to find out if you owe these taxes.

1. You paid **any one** household employee (defined below) cash wages of \$1,100 or more in 1998.

2. You withheld Federal income tax during 1998 at the request of any household employee.

3. You paid **total** cash wages of \$1,000 or more in **any** calendar **quarter** of 1997 or 1998 to household employees.



For item 1, do not count amounts paid to an employee who was under age 18 at any time in 1998 and was a student.

Household Employee. Any person who does household work is a household employee if you can control what will be done and how it will be done. Household work includes work done in or around your home by babysitters, nannies, health aides, maids, yard workers, and similar domestic workers.

Line 56

Total Tax

Include in the total on line 56 any of the following taxes. To find out if you owe the tax, see the form or publication indicated. On the dotted line next to line 56, enter the amount of the tax and identify it as indicated.

Recapture of the Following Credits.

- Investment credit (see **Form 4255**). Identify as "ICR."

- Low-income housing credit (see **Form 8611**). Identify as "LIHCR."

- Qualified electric vehicle credit (see **Pub. 535**). Identify as "QEVCR."

- Indian employment credit. Identify as "IECR."

Recapture of Federal Mortgage Subsidy. If you sold your home in 1998 and it was financed (in whole or in part) from the proceeds of any tax-exempt qualified mortgage bond or you claimed the mortgage interest credit, see **Form 8828**. Identify as "FMSR."

Section 72(m)(5) Excess Benefits Tax (see **Pub. 560**). Identify as "Sec. 72(m)(5)."

Uncollected Social Security and Medicare or RRTA Tax on Tips or Group-Term Life Insurance. This tax should be shown in box 13 of your Form W-2 with codes **A** and **B** or **M** and **N**. Identify as "UT."

Golden Parachute Payments. If you received an excess parachute payment (EPP), you must pay a 20% tax on it. This tax should be shown in box 13 of your W-2 form with code **K**. If you received a **Form 1099-MISC**, the tax is 20% of the EPP shown in box 13. Identify as "EPP."

Tax on Accumulation Distribution of Trusts. Enter the amount from **Form 4970** and identify as "ADT."

Payments

Line 57

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 57. 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 57 includes amounts withheld as shown on Form 1099-R, attach the Form 1099-R.

If you received a 1998 Form 1099 showing Federal income tax withheld on dividends, interest income, unemployment compensation, or other income you received, include the amount with-

held in the total on line 57. This should be shown in box 4 of the 1099 form.

Line 58

1998 Estimated Tax Payments

Enter any payments you made on your estimated Federal income tax (**Form 1040-ES**) for 1998. Include any overpayment from your 1997 return that you applied to your 1998 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. See **Pub. 505** for details on how to report 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 1998 or in 1999 before filing a 1998 return.

Divorced Taxpayers

If you got divorced in 1998 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 1998, enter your present spouse's SSN in the space provided on the front of Form 1040. Also, under the heading "Payments" to the left of line 58, 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. On the statement, explain all the payments you and your spouse made in 1998 and the name(s) and SSN(s) under which you made them.

Lines 59a and 59b

Earned Income Credit (EIC)

The EIC reduces tax you owe and may give you a refund even if you do not owe any tax. The credit can be as much as—

- \$341 if you do not have a qualifying child (defined on this page),
- \$2,271 if you have one qualifying child, or

- \$3,756 if you have more than one qualifying child.

Who Can Take the EIC

Answer the questions on the next page to see if you can take this credit. **But you cannot** take the credit if **any** of the following apply.

- Your filing status is married filing separately.
- You are filing **Form 2555** or **2555-EZ**, relating to foreign earned income.
- You were a nonresident alien for any part of 1998 and your filing status is any status **except** married filing jointly.
- You, or your spouse if filing a joint return, **(1)** were the qualifying child of another person in 1998, or **(2)** do not have a social security number (defined below). If you cannot take the credit for either of these reasons, enter "No" directly to the right of line 59a.

Caution: *If it is determined that you are not entitled to the earned income credit due to reckless or intentional disregard of the rules, you cannot claim the credit for the next 2 years. If you fraudulently claimed the credit, you cannot claim it for the next 10 years. If your 1997 earned income credit was disallowed as the result of deficiency procedures, you must complete and attach **Form 8862** to claim the credit this year.*

Social Security Number (SSN). For purposes of the EIC, an SSN means a number issued by the Social Security Administration to a U.S. citizen or to a person who has permission from the Immigration and Naturalization Service to work in the United States.

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 1998)—
 - under age 19,
 - 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 1998 (for all of 1998 if a foster child). If the child did not live with you for the required time, see the **Exception** on this page.

Caution: *The child must have an SSN (defined earlier) unless the child was born and died in 1998.*

A child does not always have to be your dependent to qualify. 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 the next 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 1998 tax return. Your son is **your** qualifying child because he meets 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 1998 and the **Exception** 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 is not 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 during any 5 months of 1998—

1. Was enrolled as a full-time student at a school, or
2. Took a full-time, on-farm training course. 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, correspondence schools, or night 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 1998 if **both** of the following apply.

1. The child was born or died in 1998.



Need More Information or Forms? You can use a personal computer, fax, or phone to get what you need. See page 6.

2. Your home was the child's home for the entire time he or she was alive during 1998.

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 1998, 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 in **Pub. 501** 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** modified AGI (adjusted gross income) for 1998 may treat that child as a qualifying child. The other person(s) **cannot** claim the credit for people who do not have a qualifying child. If the other person is your spouse and you are filing a joint return, this rule does not apply. If you cannot take the credit because of this rule, enter "No" directly to the right of line 59a.

Example. You and your 5-year-old daughter moved in with your mother in April 1998. 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 modified AGI for 1998 was \$8,000 and your mother's was \$14,000. Because your mother's modified AGI was higher, your daughter is your mother's qualifying child. You **cannot** take any EIC, even if your mother does not claim the credit.

Investment Income

For most people, investment income is the total of the amounts on Form 1040, lines 8a, 8b, 9, and, if more than zero, line 13. But if you are filing **Schedule E**, you may have to include amounts reported on that schedule. See **Pub. 596** for details. Also see **Pub. 596** to figure your investment income if you are reporting income from the rental of personal property on Form 1040, line 21.

Questions To See If You Can Take the Earned Income Credit

Before you begin, if you were in the military stationed outside the United States, see **Special Rules** on page 39.

All filers:

1. Is your **investment income** (see this page) more than \$2,300?
 No. Go to question 2.
 Yes. Stop. You **cannot** take the credit.
2. Do you have at least one qualifying child (defined on page 36)?
 No. Skip to question 5.
 Yes. Go to question 3.

If you have at least one qualifying child:

3. Is your **modified AGI** (see page 38) less than \$26,473 (less than \$30,095 if you have more than one qualifying child)?
 No. Stop. You **cannot** take the credit.
 Yes. Go to question 4.
4. Is the total of your **taxable and nontaxable earned income** (see pages 38 and 39) less than \$26,473 (less than \$30,095 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" directly to the right of line 59a.
 Yes. You can take the credit. **If you want the IRS to figure it for you**, complete and attach **Schedule EIC** and enter "EIC" directly to the right of line 59a. Also, enter the amount and type of any nontaxable earned income on line 59b. **If you want to figure the credit yourself, stop** and complete the worksheet on the next page now.

If you do not have a qualifying child:

5. Is your **modified AGI** (see page 38) less than \$10,030?
 No. Stop. You **cannot** take the credit.
 Yes. Go to question 6.
6. Were you (or your spouse if filing a joint return) at least age 25 but under age 65 at the end of 1998?
 No. Stop. You **cannot** take the credit. Enter "No" directly to the right of line 59a.
 Yes. Go to question 7.
7. Can you (or your spouse if filing a joint return) be claimed as a dependent on someone else's 1998 tax return?
 Yes. Stop. You **cannot** take the credit.
 No. Go to question 8.
8. Was your home (and your spouse's if filing a joint return) in the United States for more than half of 1998?
 No. Stop. You **cannot** take the credit. Enter "No" directly to the right of line 59a.
 Yes. Go to question 9.
9. Is the total of your **taxable and nontaxable earned income** (see pages 38 and 39) less than \$10,030? (Nontaxable earned income includes military housing and subsistence, and contributions to a 401(k) plan.)
 No. Stop. You **cannot** take the credit. Enter "No" directly to the right of line 59a.
 Yes. You can take the credit. **If you want the IRS to figure it for you**, enter "EIC" directly to the right of line 59a. Also, enter the amount and type of any nontaxable earned income on line 59b. **If you want to figure the credit yourself**, complete the worksheet on the next page.

Caution: Make sure you include all required amounts when figuring your investment income. If you do not and that income is more than \$2,300, at the time we process your return, we may disallow the credit.

Modified AGI (Adjusted Gross Income)

Modified AGI is the total of the amounts on Form 1040, lines 8b and 33, increased by the amount of (1) any loss claimed on Form 1040, line 13, (2) three-fourths of any losses on Form 1040, lines 12 and 18, and (3) any nontaxable distributions from a pension, annuity, or individual retirement arrangement (IRA). But modified AGI does not include any distribution that is not taxable because it (a) was a trustee-to-trustee transfer or (b) was rolled over into a similar type of plan during the period allowed for rollovers. If you converted part or all of a traditional, SEP, or SIMPLE IRA to a Roth IRA, see Pub. 596 to figure your modified AGI. Also see Pub. 596 to figure your modified AGI if you are filing Schedule E or you are claiming a loss from the rental of personal property not used in a trade or business.

Taxable Earned Income

This usually is the amount reported on Form 1040, line 7, plus your earnings from self-employment. (Use the worksheet on page 39 to figure your earnings from self-employment.) But if line 7 of Form 1040 includes any of the following amounts, subtract them from the total on line 7. The result plus your earnings from self-employment is your taxable earned income for purposes of the EIC.

- A taxable scholarship or fellowship grant that was not reported on a W-2 form.
- An amount paid to an inmate in a penal institution. Enter "PRI" and the amount subtracted on the dotted line next to line 7 of Form 1040.
- **Workfare payments.** These are cash payments certain families receive from a state or local agency that administers public assistance programs funded under the Federal Temporary Assistance for Needy Families program in return for (1) work experience activities (including work associated with remodeling or repairing publicly assisted housing) if sufficient private sector employment is not available, or (2) community service program activities. Enter "WP" and the amount subtracted on the dotted line next to line 7 of Form 1040.

Earned Income Credit Worksheet—Line 59a
(keep for your records)



Before you begin, if you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,100 in 1998 or you were a minister or member of a religious order, see **Special Rules** on page 39 before completing this worksheet. Also, see Special Rules if Form 1040, line 7, includes workfare payments or any amount paid to an inmate in a penal institution.

Caution: Be sure to include all your income on lines 1, 2, 4, 5, and 8 below. An incorrect amount may increase your tax or reduce your refund.

1. Enter the amount from Form 1040, line 7	1.	<input type="text"/>
2. If you received a taxable scholarship or fellowship grant that was not reported on a W-2 form, enter that amount here	2.	<input type="text"/>
3. Subtract line 2 from line 1	3.	<input type="text"/>
4. Enter any nontaxable earned income (see the next page). Types of nontaxable earned income include contributions to a 401(k) plan, and military housing and subsistence. These should be shown in box 13 of your W-2 form	4.	<input type="text"/>
5. If you were self-employed or used Schedule C or C-EZ as a statutory employee, enter the amount from the worksheet on the next page	5.	<input type="text"/>
6. Add lines 3, 4, and 5	6.	<input type="text"/>
7. Look up the amount on line 6 above in the EIC Table on pages 40–42 to find your credit. Enter the credit here	7.	<input type="text"/>
If line 7 is zero, stop . You cannot take the credit. Enter "No" directly to the right of Form 1040, line 59a.		
8. Enter your modified AGI (see this page)	8.	<input type="text"/>
9. Is line 8 less than—		
• \$5,600 if you do not have a qualifying child?		
• \$12,300 if you have at least one qualifying child?		
<input type="checkbox"/> Yes. Go to line 10 now.		
<input type="checkbox"/> No. Look up the amount on line 8 above in the EIC Table on pages 40–42 to find your credit. Enter the credit here	9.	<input type="text"/>
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.	<input type="text"/>

Next: Take the amount from line 10 above and enter it on Form 1040, line 59a.

AND

If you had any nontaxable earned income (see line 4 above), enter the amount and type of that income in the spaces provided on line 59b.

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 51), subtract it from the amount on line 10 above. Then, enter the result (if more than zero) on Form 1040, line 59a. Also, replace the amount on line 10 above with the amount entered on Form 1040, line 59a.



Need More Information or Forms? You can use a personal computer, fax, or phone to get what you need. See page 6.

Also, if line 7 of Form 1040 includes any amount paid to a household employee who did not receive a W-2 form, see **Special Rules** on this page.



Nontaxable earned income does not include welfare benefits, such as those listed below.

- Medicaid and supplemental security income (SSI).
- Food stamps and low-income housing.

Caution: *If you include self-employment income in your earned income for purposes of figuring the credit, but you have not paid the self-employment tax on that income, we may reduce your credit by the amount of the self-employment tax not paid.*

Nontaxable Earned Income

Caution: *Be sure to include all your nontaxable earned income on line 59b of Form 1040.*

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. Nontaxable earned income includes anything of value (money, goods, or services) that is not taxable that you received from your employer for your work. But it does not include workfare payments (defined on page 38). Some examples of nontaxable earned income are listed below.

- Basic quarters and subsistence allowances, the value of in-kind quarters and subsistence, and combat zone excluded pay received from the U.S. military. These amounts should be shown in box 13 of your W-2 form with code **Q**.

- Housing allowances or rental value of a parsonage for clergy members. But if you are filing **Schedule SE**, see **Clergy** on this page.

- Meals and lodging provided for the convenience of your employer.

- 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 18.

- Excludable employer-provided adoption benefits from **Form 8839**, line 29.

- Salary reductions, such as under a cafeteria plan, unless they are included in box 1 of your W-2 form(s). For details, see **Pub. 596**.

Effect on Certain Welfare Benefits

Any refund you receive as a result of claiming the EIC will not be used to determine if you are eligible for the following programs, or how much you can receive from them.

- Temporary Assistance for Needy Families (formerly Aid to Families With Dependent Children (AFDC)).

Special Rules

Members of the Military

If you were on extended active duty outside the United States, your home is considered to be in the United States during that duty period. See **Pub. 596** for the definition of extended active duty.

(Continued on page 43)

Line 5 of EIC Worksheet on Page 38
(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, combine your spouse's amounts with 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 27. **1d.**
- e. Subtract line 1d from line 1c. **1e.**

2. If you are NOT required to file Schedule SE (for example, because your net earnings from self-employment were less than \$400), complete lines 2a through 2c. But **do not** include on these lines any statutory employee income or 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, Schedule K-1 (Form 1065), line 15a (other than farming), and Schedule K-1 (Form 1065-B), box 9 **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 worksheet on page 38 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 **cannot** take the earned income credit.*

1998 Earned Income Credit (EIC) 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 38. 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.

Caution: *This is not a tax table.*

If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—		
		No children	One child	Two children			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—			At least	But less than	Your credit is—		
\$1	\$50	\$2	\$9	\$10	2,400	2,450	186	825	970	4,800	4,850	341	1,641	1,930	7,200	7,250	215	2,271	2,890
50	100	6	26	30	2,450	2,500	189	842	990	4,850	4,900	341	1,658	1,950	7,250	7,300	211	2,271	2,910
100	150	10	43	50	2,500	2,550	193	859	1,010	4,900	4,950	341	1,675	1,970	7,300	7,350	207	2,271	2,930
150	200	13	60	70	2,550	2,600	197	876	1,030	4,950	5,000	341	1,692	1,990	7,350	7,400	203	2,271	2,950
200	250	17	77	90	2,600	2,650	201	893	1,050	5,000	5,050	341	1,709	2,010	7,400	7,450	199	2,271	2,970
250	300	21	94	110	2,650	2,700	205	910	1,070	5,050	5,100	341	1,726	2,030	7,450	7,500	195	2,271	2,990
300	350	25	111	130	2,700	2,750	208	927	1,090	5,100	5,150	341	1,743	2,050	7,500	7,550	192	2,271	3,010
350	400	29	128	150	2,750	2,800	212	944	1,110	5,150	5,200	341	1,760	2,070	7,550	7,600	188	2,271	3,030
400	450	33	145	170	2,800	2,850	216	961	1,130	5,200	5,250	341	1,777	2,090	7,600	7,650	184	2,271	3,050
450	500	36	162	190	2,850	2,900	220	978	1,150	5,250	5,300	341	1,794	2,110	7,650	7,700	180	2,271	3,070
500	550	40	179	210	2,900	2,950	224	995	1,170	5,300	5,350	341	1,811	2,130	7,700	7,750	176	2,271	3,090
550	600	44	196	230	2,950	3,000	228	1,012	1,190	5,350	5,400	341	1,828	2,150	7,750	7,800	173	2,271	3,110
600	650	48	213	250	3,000	3,050	231	1,029	1,210	5,400	5,450	341	1,845	2,170	7,800	7,850	169	2,271	3,130
650	700	52	230	270	3,050	3,100	235	1,046	1,230	5,450	5,500	341	1,862	2,190	7,850	7,900	165	2,271	3,150
700	750	55	247	290	3,100	3,150	239	1,063	1,250	5,500	5,550	341	1,879	2,210	7,900	7,950	161	2,271	3,170
750	800	59	264	310	3,150	3,200	243	1,080	1,270	5,550	5,600	341	1,896	2,230	7,950	8,000	157	2,271	3,190
800	850	63	281	330	3,200	3,250	247	1,097	1,290	5,600	5,650	337	1,913	2,250	8,000	8,050	153	2,271	3,210
850	900	67	298	350	3,250	3,300	251	1,114	1,310	5,650	5,700	333	1,930	2,270	8,050	8,100	150	2,271	3,230
900	950	71	315	370	3,300	3,350	254	1,131	1,330	5,700	5,750	329	1,947	2,290	8,100	8,150	146	2,271	3,250
950	1,000	75	332	390	3,350	3,400	258	1,148	1,350	5,750	5,800	326	1,964	2,310	8,150	8,200	142	2,271	3,270
1,000	1,050	78	349	410	3,400	3,450	262	1,165	1,370	5,800	5,850	322	1,981	2,330	8,200	8,250	138	2,271	3,290
1,050	1,100	82	366	430	3,450	3,500	266	1,182	1,390	5,850	5,900	318	1,998	2,350	8,250	8,300	134	2,271	3,310
1,100	1,150	86	383	450	3,500	3,550	270	1,199	1,410	5,900	5,950	314	2,015	2,370	8,300	8,350	130	2,271	3,330
1,150	1,200	90	400	470	3,550	3,600	273	1,216	1,430	5,950	6,000	310	2,032	2,390	8,350	8,400	127	2,271	3,350
1,200	1,250	94	417	490	3,600	3,650	277	1,233	1,450	6,000	6,050	306	2,049	2,410	8,400	8,450	123	2,271	3,370
1,250	1,300	98	434	510	3,650	3,700	281	1,250	1,470	6,050	6,100	303	2,066	2,430	8,450	8,500	119	2,271	3,390
1,300	1,350	101	451	530	3,700	3,750	285	1,267	1,490	6,100	6,150	299	2,083	2,450	8,500	8,550	115	2,271	3,410
1,350	1,400	105	468	550	3,750	3,800	289	1,284	1,510	6,150	6,200	295	2,100	2,470	8,550	8,600	111	2,271	3,430
1,400	1,450	109	485	570	3,800	3,850	293	1,301	1,530	6,200	6,250	291	2,117	2,490	8,600	8,650	107	2,271	3,450
1,450	1,500	113	502	590	3,850	3,900	296	1,318	1,550	6,250	6,300	287	2,134	2,510	8,650	8,700	104	2,271	3,470
1,500	1,550	117	519	610	3,900	3,950	300	1,335	1,570	6,300	6,350	283	2,151	2,530	8,700	8,750	100	2,271	3,490
1,550	1,600	120	536	630	3,950	4,000	304	1,352	1,590	6,350	6,400	280	2,168	2,550	8,750	8,800	96	2,271	3,510
1,600	1,650	124	553	650	4,000	4,050	308	1,369	1,610	6,400	6,450	276	2,185	2,570	8,800	8,850	92	2,271	3,530
1,650	1,700	128	570	670	4,050	4,100	312	1,386	1,630	6,450	6,500	272	2,202	2,590	8,850	8,900	88	2,271	3,550
1,700	1,750	132	587	690	4,100	4,150	316	1,403	1,650	6,500	6,550	268	2,219	2,610	8,900	8,950	85	2,271	3,570
1,750	1,800	136	604	710	4,150	4,200	319	1,420	1,670	6,550	6,600	264	2,236	2,630	8,950	9,000	81	2,271	3,590
1,800	1,850	140	621	730	4,200	4,250	323	1,437	1,690	6,600	6,650	260	2,253	2,650	9,000	9,050	77	2,271	3,610
1,850	1,900	143	638	750	4,250	4,300	327	1,454	1,710	6,650	6,700	257	2,271	2,670	9,050	9,100	73	2,271	3,630
1,900	1,950	147	655	770	4,300	4,350	331	1,471	1,730	6,700	6,750	253	2,271	2,690	9,100	9,150	69	2,271	3,650
1,950	2,000	151	672	790	4,350	4,400	335	1,488	1,750	6,750	6,800	249	2,271	2,710	9,150	9,200	65	2,271	3,670
2,000	2,050	155	689	810	4,400	4,450	339	1,505	1,770	6,800	6,850	245	2,271	2,730	9,200	9,250	62	2,271	3,690
2,050	2,100	159	706	830	4,450	4,500	341	1,522	1,790	6,850	6,900	241	2,271	2,750	9,250	9,300	58	2,271	3,710
2,100	2,150	163	723	850	4,500	4,550	341	1,539	1,810	6,900	6,950	238	2,271	2,770	9,300	9,350	54	2,271	3,730
2,150	2,200	166	740	870	4,550	4,600	341	1,556	1,830	6,950	7,000	234	2,271	2,790	9,350	9,400	50	2,271	3,756
2,200	2,250	170	757	890	4,600	4,650	341	1,573	1,850	7,000	7,050	230	2,271	2,810	9,400	9,450	46	2,271	3,756
2,250	2,300	174	774	910	4,650	4,700	341	1,590	1,870	7,050	7,100	226	2,271	2,830	9,450	9,500	42	2,271	3,756
2,300	2,350	178	791	930	4,700	4,750	341	1,607	1,890	7,100	7,150	222	2,271	2,850	9,500	9,550	39	2,271	3,756
2,350	2,400	182	808	950	4,750	4,800	341	1,624	1,910	7,150	7,200	218	2,271	2,870	9,550	9,600	35	2,271	3,756

(Continued)

1998 Earned Income Credit (EIC) Table *Continued* (Caution: This is **not** a tax table.)

If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—							
		No children	One child	Two children			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—							
9,600	9,650	31	2,271	3,756	12,400	12,450	0	2,245	3,721	15,200	15,250	0	1,797	3,132	18,000	18,050	0	1,350	2,542
9,650	9,700	27	2,271	3,756	12,450	12,500	0	2,237	3,711	15,250	15,300	0	1,789	3,121	18,050	18,100	0	1,342	2,531
9,700	9,750	23	2,271	3,756	12,500	12,550	0	2,229	3,700	15,300	15,350	0	1,781	3,111	18,100	18,150	0	1,334	2,521
9,750	9,800	20	2,271	3,756	12,550	12,600	0	2,221	3,690	15,350	15,400	0	1,773	3,100	18,150	18,200	0	1,326	2,510
9,800	9,850	16	2,271	3,756	12,600	12,650	0	2,213	3,679	15,400	15,450	0	1,765	3,089	18,200	18,250	0	1,318	2,500
9,850	9,900	12	2,271	3,756	12,650	12,700	0	2,205	3,669	15,450	15,500	0	1,757	3,079	18,250	18,300	0	1,310	2,489
9,900	9,950	8	2,271	3,756	12,700	12,750	0	2,197	3,658	15,500	15,550	0	1,749	3,068	18,300	18,350	0	1,302	2,479
9,950	10,000	4	2,271	3,756	12,750	12,800	0	2,189	3,648	15,550	15,600	0	1,741	3,058	18,350	18,400	0	1,294	2,468
10,000	10,050	*	2,271	3,756	12,800	12,850	0	2,181	3,637	15,600	15,650	0	1,733	3,047	18,400	18,450	0	1,286	2,458
10,050	10,100	0	2,271	3,756	12,850	12,900	0	2,173	3,626	15,650	15,700	0	1,725	3,037	18,450	18,500	0	1,278	2,447
10,100	10,150	0	2,271	3,756	12,900	12,950	0	2,165	3,616	15,700	15,750	0	1,717	3,026	18,500	18,550	0	1,270	2,437
10,150	10,200	0	2,271	3,756	12,950	13,000	0	2,157	3,605	15,750	15,800	0	1,710	3,016	18,550	18,600	0	1,262	2,426
10,200	10,250	0	2,271	3,756	13,000	13,050	0	2,149	3,595	15,800	15,850	0	1,702	3,005	18,600	18,650	0	1,254	2,416
10,250	10,300	0	2,271	3,756	13,050	13,100	0	2,141	3,584	15,850	15,900	0	1,694	2,995	18,650	18,700	0	1,246	2,405
10,300	10,350	0	2,271	3,756	13,100	13,150	0	2,133	3,574	15,900	15,950	0	1,686	2,984	18,700	18,750	0	1,238	2,394
10,350	10,400	0	2,271	3,756	13,150	13,200	0	2,125	3,563	15,950	16,000	0	1,678	2,974	18,750	18,800	0	1,230	2,384
10,400	10,450	0	2,271	3,756	13,200	13,250	0	2,117	3,553	16,000	16,050	0	1,670	2,963	18,800	18,850	0	1,222	2,373
10,450	10,500	0	2,271	3,756	13,250	13,300	0	2,109	3,542	16,050	16,100	0	1,662	2,953	18,850	18,900	0	1,214	2,363
10,500	10,550	0	2,271	3,756	13,300	13,350	0	2,101	3,532	16,100	16,150	0	1,654	2,942	18,900	18,950	0	1,206	2,352
10,550	10,600	0	2,271	3,756	13,350	13,400	0	2,093	3,521	16,150	16,200	0	1,646	2,932	18,950	19,000	0	1,198	2,342
10,600	10,650	0	2,271	3,756	13,400	13,450	0	2,085	3,511	16,200	16,250	0	1,638	2,921	19,000	19,050	0	1,190	2,331
10,650	10,700	0	2,271	3,756	13,450	13,500	0	2,077	3,500	16,250	16,300	0	1,630	2,910	19,050	19,100	0	1,182	2,321
10,700	10,750	0	2,271	3,756	13,500	13,550	0	2,069	3,490	16,300	16,350	0	1,622	2,900	19,100	19,150	0	1,174	2,310
10,750	10,800	0	2,271	3,756	13,550	13,600	0	2,061	3,479	16,350	16,400	0	1,614	2,889	19,150	19,200	0	1,166	2,300
10,800	10,850	0	2,271	3,756	13,600	13,650	0	2,053	3,469	16,400	16,450	0	1,606	2,879	19,200	19,250	0	1,158	2,289
10,850	10,900	0	2,271	3,756	13,650	13,700	0	2,045	3,458	16,450	16,500	0	1,598	2,868	19,250	19,300	0	1,150	2,279
10,900	10,950	0	2,271	3,756	13,700	13,750	0	2,037	3,447	16,500	16,550	0	1,590	2,858	19,300	19,350	0	1,142	2,268
10,950	11,000	0	2,271	3,756	13,750	13,800	0	2,029	3,437	16,550	16,600	0	1,582	2,847	19,350	19,400	0	1,134	2,258
11,000	11,050	0	2,271	3,756	13,800	13,850	0	2,021	3,426	16,600	16,650	0	1,574	2,837	19,400	19,450	0	1,126	2,247
11,050	11,100	0	2,271	3,756	13,850	13,900	0	2,013	3,416	16,650	16,700	0	1,566	2,826	19,450	19,500	0	1,118	2,237
11,100	11,150	0	2,271	3,756	13,900	13,950	0	2,005	3,405	16,700	16,750	0	1,558	2,816	19,500	19,550	0	1,110	2,226
11,150	11,200	0	2,271	3,756	13,950	14,000	0	1,997	3,395	16,750	16,800	0	1,550	2,805	19,550	19,600	0	1,102	2,215
11,200	11,250	0	2,271	3,756	14,000	14,050	0	1,989	3,384	16,800	16,850	0	1,542	2,795	19,600	19,650	0	1,094	2,205
11,250	11,300	0	2,271	3,756	14,050	14,100	0	1,981	3,374	16,850	16,900	0	1,534	2,784	19,650	19,700	0	1,086	2,194
11,300	11,350	0	2,271	3,756	14,100	14,150	0	1,973	3,363	16,900	16,950	0	1,526	2,774	19,700	19,750	0	1,078	2,184
11,350	11,400	0	2,271	3,756	14,150	14,200	0	1,965	3,353	16,950	17,000	0	1,518	2,763	19,750	19,800	0	1,070	2,173
11,400	11,450	0	2,271	3,756	14,200	14,250	0	1,957	3,342	17,000	17,050	0	1,510	2,752	19,800	19,850	0	1,062	2,163
11,450	11,500	0	2,271	3,756	14,250	14,300	0	1,949	3,332	17,050	17,100	0	1,502	2,742	19,850	19,900	0	1,054	2,152
11,500	11,550	0	2,271	3,756	14,300	14,350	0	1,941	3,321	17,100	17,150	0	1,494	2,731	19,900	19,950	0	1,046	2,142
11,550	11,600	0	2,271	3,756	14,350	14,400	0	1,933	3,311	17,150	17,200	0	1,486	2,721	19,950	20,000	0	1,038	2,131
11,600	11,650	0	2,271	3,756	14,400	14,450	0	1,925	3,300	17,200	17,250	0	1,478	2,710	20,000	20,050	0	1,030	2,121
11,650	11,700	0	2,271	3,756	14,450	14,500	0	1,917	3,290	17,250	17,300	0	1,470	2,700	20,050	20,100	0	1,022	2,110
11,700	11,750	0	2,271	3,756	14,500	14,550	0	1,909	3,279	17,300	17,350	0	1,462	2,689	20,100	20,150	0	1,014	2,100
11,750	11,800	0	2,271	3,756	14,550	14,600	0	1,901	3,268	17,350	17,400	0	1,454	2,679	20,150	20,200	0	1,006	2,089
11,800	11,850	0	2,271	3,756	14,600	14,650	0	1,893	3,258	17,400	17,450	0	1,446	2,668	20,200	20,250	0	998	2,079
11,850	11,900	0	2,271	3,756	14,650	14,700	0	1,885	3,247	17,450	17,500	0	1,438	2,658	20,250	20,300	0	990	2,068
11,900	11,950	0	2,271	3,756	14,700	14,750	0	1,877	3,237	17,500	17,550	0	1,430	2,647	20,300	20,350	0	982	2,058
11,950	12,000	0	2,271	3,756	14,750	14,800	0	1,869	3,226	17,550	17,600	0	1,422	2,637	20,350	20,400	0	974	2,047
12,000	12,050	0	2,271	3,756	14,800	14,850	0	1,861	3,216	17,600	17,650	0	1,414	2,626	20,400	20,450	0	966	2,036
12,050	12,100	0	2,271	3,756	14,850	14,900	0	1,853	3,205	17,650	17,700	0	1,406	2,616	20,450	20,500	0	958	2,026
12,100	12,150	0	2,271	3,756	14,900	14,950	0	1,845	3,195	17,700	17,750	0	1,398	2,605	20,500	20,550	0	950	2,015
12,150	12,200	0	2,271	3,756	14,950	15,000	0	1,837	3,184	17,750	17,800	0	1,390	2,595	20,550	20,600	0	942	2,005
12,200	12,250	0	2,271	3,756	15,000	15,050	0	1,829	3,174	17,800	17,850	0	1,382	2,584	20,600	20,650	0	934	1,994
12,250	12,300	0	2,271	3,756	15,050	15,100	0	1,821	3,163	17,850	17,900	0	1,374	2,573	20,650	20,700	0	926	1,984
12,300	12,350	0	2,261	3,742	15,100	15,150	0	1,813	3,153	17,900	17,950	0	1,366	2,563	20,700	20,750	0	918	1,973
12,350	12,400	0	2,253	3,732	15,150	15,200	0	1,805	3,142	17,950	18,000	0	1,358	2,552	20,750	20,800	0	911	1,963

*If the amount on line 6 or line 8 of the worksheet is at least \$10,000 but less than \$10,030, your credit is \$1. Otherwise, you cannot take the credit. (Continued)

1998 Earned Income Credit (EIC) Table *Continued* (Caution: This is **not** a tax table.)

If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—		
		No children	One child	Two children			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—			At least	But less than	Your credit is—		
20,800	20,850	0	903	1,952	23,200	23,250	0	519	1,447	25,600	25,650	0	135	941	28,000	28,050	0	0	436
20,850	20,900	0	895	1,942	23,250	23,300	0	511	1,436	25,650	25,700	0	127	931	28,050	28,100	0	0	425
20,900	20,950	0	887	1,931	23,300	23,350	0	503	1,426	25,700	25,750	0	119	920	28,100	28,150	0	0	415
20,950	21,000	0	879	1,921	23,350	23,400	0	495	1,415	25,750	25,800	0	112	910	28,150	28,200	0	0	404
21,000	21,050	0	871	1,910	23,400	23,450	0	487	1,405	25,800	25,850	0	104	899	28,200	28,250	0	0	394
21,050	21,100	0	863	1,900	23,450	23,500	0	479	1,394	25,850	25,900	0	96	889	28,250	28,300	0	0	383
21,100	21,150	0	855	1,889	23,500	23,550	0	471	1,384	25,900	25,950	0	88	878	28,300	28,350	0	0	373
21,150	21,200	0	847	1,879	23,550	23,600	0	463	1,373	25,950	26,000	0	80	868	28,350	28,400	0	0	362
21,200	21,250	0	839	1,868	23,600	23,650	0	455	1,363	26,000	26,050	0	72	857	28,400	28,450	0	0	352
21,250	21,300	0	831	1,857	23,650	23,700	0	447	1,352	26,050	26,100	0	64	847	28,450	28,500	0	0	341
21,300	21,350	0	823	1,847	23,700	23,750	0	439	1,341	26,100	26,150	0	56	836	28,500	28,550	0	0	331
21,350	21,400	0	815	1,836	23,750	23,800	0	431	1,331	26,150	26,200	0	48	826	28,550	28,600	0	0	320
21,400	21,450	0	807	1,826	23,800	23,850	0	423	1,320	26,200	26,250	0	40	815	28,600	28,650	0	0	310
21,450	21,500	0	799	1,815	23,850	23,900	0	415	1,310	26,250	26,300	0	32	804	28,650	28,700	0	0	299
21,500	21,550	0	791	1,805	23,900	23,950	0	407	1,299	26,300	26,350	0	24	794	28,700	28,750	0	0	288
21,550	21,600	0	783	1,794	23,950	24,000	0	399	1,289	26,350	26,400	0	16	783	28,750	28,800	0	0	278
21,600	21,650	0	775	1,784	24,000	24,050	0	391	1,278	26,400	26,450	0	8	773	28,800	28,850	0	0	267
21,650	21,700	0	767	1,773	24,050	24,100	0	383	1,268	26,450	26,500	0	**	762	28,850	28,900	0	0	257
21,700	21,750	0	759	1,763	24,100	24,150	0	375	1,257	26,500	26,550	0	0	752	28,900	28,950	0	0	246
21,750	21,800	0	751	1,752	24,150	24,200	0	367	1,247	26,550	26,600	0	0	741	28,950	29,000	0	0	236
21,800	21,850	0	743	1,742	24,200	24,250	0	359	1,236	26,600	26,650	0	0	731	29,000	29,050	0	0	225
21,850	21,900	0	735	1,731	24,250	24,300	0	351	1,226	26,650	26,700	0	0	720	29,050	29,100	0	0	215
21,900	21,950	0	727	1,721	24,300	24,350	0	343	1,215	26,700	26,750	0	0	710	29,100	29,150	0	0	204
21,950	22,000	0	719	1,710	24,350	24,400	0	335	1,205	26,750	26,800	0	0	699	29,150	29,200	0	0	194
22,000	22,050	0	711	1,699	24,400	24,450	0	327	1,194	26,800	26,850	0	0	689	29,200	29,250	0	0	183
22,050	22,100	0	703	1,689	24,450	24,500	0	319	1,184	26,850	26,900	0	0	678	29,250	29,300	0	0	173
22,100	22,150	0	695	1,678	24,500	24,550	0	311	1,173	26,900	26,950	0	0	668	29,300	29,350	0	0	162
22,150	22,200	0	687	1,668	24,550	24,600	0	303	1,162	26,950	27,000	0	0	657	29,350	29,400	0	0	152
22,200	22,250	0	679	1,657	24,600	24,650	0	295	1,152	27,000	27,050	0	0	646	29,400	29,450	0	0	141
22,250	22,300	0	671	1,647	24,650	24,700	0	287	1,141	27,050	27,100	0	0	636	29,450	29,500	0	0	131
22,300	22,350	0	663	1,636	24,700	24,750	0	279	1,131	27,100	27,150	0	0	625	29,500	29,550	0	0	120
22,350	22,400	0	655	1,626	24,750	24,800	0	271	1,120	27,150	27,200	0	0	615	29,550	29,600	0	0	109
22,400	22,450	0	647	1,615	24,800	24,850	0	263	1,110	27,200	27,250	0	0	604	29,600	29,650	0	0	99
22,450	22,500	0	639	1,605	24,850	24,900	0	255	1,099	27,250	27,300	0	0	594	29,650	29,700	0	0	88
22,500	22,550	0	631	1,594	24,900	24,950	0	247	1,089	27,300	27,350	0	0	583	29,700	29,750	0	0	78
22,550	22,600	0	623	1,584	24,950	25,000	0	239	1,078	27,350	27,400	0	0	573	29,750	29,800	0	0	67
22,600	22,650	0	615	1,573	25,000	25,050	0	231	1,068	27,400	27,450	0	0	562	29,800	29,850	0	0	57
22,650	22,700	0	607	1,563	25,050	25,100	0	223	1,057	27,450	27,500	0	0	552	29,850	29,900	0	0	46
22,700	22,750	0	599	1,552	25,100	25,150	0	215	1,047	27,500	27,550	0	0	541	29,900	29,950	0	0	36
22,750	22,800	0	591	1,542	25,150	25,200	0	207	1,036	27,550	27,600	0	0	531	29,950	30,000	0	0	25
22,800	22,850	0	583	1,531	25,200	25,250	0	199	1,026	27,600	27,650	0	0	520	30,000	30,050	0	0	15
22,850	22,900	0	575	1,520	25,250	25,300	0	191	1,015	27,650	27,700	0	0	510	30,050	30,095	0	0	5
22,900	22,950	0	567	1,510	25,300	25,350	0	183	1,005	27,700	27,750	0	0	499	30,095 or more		0	0	0
22,950	23,000	0	559	1,499	25,350	25,400	0	175	994	27,750	27,800	0	0	489					
23,000	23,050	0	551	1,489	25,400	25,450	0	167	983	27,800	27,850	0	0	478					
23,050	23,100	0	543	1,478	25,450	25,500	0	159	973	27,850	27,900	0	0	467					
23,100	23,150	0	535	1,468	25,500	25,550	0	151	962	27,900	27,950	0	0	457					
23,150	23,200	0	527	1,457	25,550	25,600	0	143	952	27,950	28,000	0	0	446					

**If the amount on line 6 or line 8 of the worksheet is at least \$26,450 but less than \$26,473, your credit is \$2. Otherwise, you cannot take the credit.



Need More Information or Forms? You can use a personal computer, fax, or phone to get what you need. See page 6.

Clergy

If you are filing **Schedule SE** and the amount on line 2 of that schedule includes an amount that was also reported on Form 1040, line 7, follow these special rules. First, enter "Clergy" directly to the right of line 59a. 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 38 (or on line 59b of Form 1040) if it is required to 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 38. Last, be sure to complete the worksheet on page 39.

Household Employees

If you were a household employee who did not receive a W-2 form because your employer paid you less than \$1,100 in 1998, be sure to include the amount you were paid on Form 1040, line 7. Enter "HSH" and the amount not reported on a W-2 form on the dotted line next to line 7.

Workfare Payments

These are not earned income for purposes of the EIC. If the total on Form 1040, line 7, includes such income, subtract that income from the amount on line 7. Enter the result on line 1 of the worksheet on page 38. Also, enter "WP" and the amount subtracted on the dotted line next to line 7 of Form 1040.

Inmates

Amounts paid to inmates in penal institutions for their work are not earned income for purposes of the EIC. If the total on Form 1040, line 7, includes such income, subtract that income from the amount on line 7. Enter the result on line 1 of the worksheet on page 38. Also, enter "PRI" and the amount subtracted on the dotted line next to line 7.

Line 60

Additional Child Tax Credit

You may be able to take this credit if **both 1 and 2** below apply.

1. The amount on line 1 of the **Child Tax Credit Worksheet** on page 32 is more than \$800.

2. The amount on line 7 of the Child Tax Credit Worksheet is more than the amount on line 11 of that worksheet.

The additional child tax credit may give you a refund even if you do not owe any tax. Use **Form 8812** to figure the credit.

Line 61

Amount Paid With Form 4868 (Request for Extension)

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

Line 62

Excess Social Security and RRTA Tax Withheld

If you had more than one employer for 1998 and your total wages were over \$68,400, too much social security tax may have been withheld. You can take a credit on this line for the amount withheld in excess of \$4,240.80. But if any one employer withheld more than \$4,240.80, you must ask that employer to refund the excess to you. You cannot claim it on your return.

If you had more than one railroad employer for 1998 and your total compensation was over \$50,700, too much railroad retirement (RRTA) tax may have been withheld.

For more details, see **Pub. 505**.

Line 63

Other Payments

Check the box(es) on line 63 to report any credit from **Form 2439** or **4136**.

Refund

Line 65

Amount Overpaid

If line 65 is under \$1, we will send a refund only on written request. If you want to check on the status of your refund, please wait at least 4 weeks after you file your return to do so. See page 9 for details.



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 1999** on page 46.

Refund Offset

If you have not paid child support or certain Federal nontax debts, such as student loans, all or part of the overpayment on line 65 may be used (offset) to pay the past-due amount. To find out if you may have an offset, contact the agency(ies) you owe the debt to. **Do not** call the IRS because offsets are now made by the Treasury Department's Financial Management Service (FMS) and the IRS will no longer have nontax debt information. If there is an offset, you will receive a notice from FMS showing the amount of the offset and the agency receiving it.

Injured Spouse Claim

If you file a joint return and your spouse has not paid tax, child support, or a Federal nontax debt, such as a student loan, part or all of the overpayment on line 65 may be used (offset) to pay the past due amount. But **your** part of the overpayment may be refunded to you after the offset occurs if certain conditions apply and you complete and attach **Form 8379**. For details, use Tele-Tax topic 203 (see page 9) or see Form 8379.

Sample Check

CHRIS MAPLE
LAURA MAPLE
123 Main Street
Anyplace, CA 90000

PAY TO THE ORDER OF _____ \$ 1234
DOLLARS

ANYPLACE BANK
Anyplace, CA 90000

For _____

Routing number (line 66b) 250250025
Account number (line 66d) 20202086

Do not include the check number

1234

Note: The routing and account numbers may be in different places on your check.

Lines 66b Through 66d

Direct Deposit of Refund

Complete lines 66b through 66d if you want us to directly deposit the amount shown on line 66a into your account at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) instead of sending you a check.

Why Use Direct Deposit?

- You get your refund fast—even faster if you *e-file*.
- Payment is more secure—there is no check to get lost.
- More convenient. No trip to the bank to deposit your check.
- Saves tax dollars. A refund by direct deposit costs less than a check.

TIP You can check with your financial institution to make sure your deposit will be accepted and get the correct routing and account numbers.

Line 66b

The routing number **must** be **nine** digits. If the first two digits are not 01 through 12 or 21 through 32, the direct deposit will be rejected and a check sent instead. On the sample check, the routing number is 250250025.

Your check may state that it is payable through a bank different from the financial institution at which you have your checking account. If so, do not use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter on this line.

Line 66d

The account number can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special symbols. Enter the number from left to right and leave any unused boxes blank. On the sample check, the account number is 20202086. Be sure **not** to include the check number.

Caution: Some financial institutions will not allow a joint refund to be deposited into an individual account. The IRS is not responsible if a financial institution refuses a direct deposit.

Line 67

Applied to 1999 Estimated Tax

Enter on line 67 the amount, if any, of the overpayment on line 65 you want applied to your 1999 estimated tax. We will apply this amount to your account unless you attach a statement requesting us to apply it to your spouse's account. Include your spouse's social security number. This election to apply part or all of the amount overpaid to your 1999 estimated tax cannot be changed later.

Amount You Owe

Line 68

Amount You Owe

TIP You do not have to pay if line 68 is under \$1.

Include any estimated tax penalty from line 69 in the amount you enter on line 68.

Make your check or money order payable to the **"United States Treasury"** for the full amount due. **Do not send cash.** Write "1998 Form 1040" and your name, address, daytime phone number, and social security number (SSN) on your payment. If you are filing a joint return, enter the SSN shown first on your tax return.

Then, please complete **Form 1040-V** following the instructions on that form and enclose it in the envelope with your payment.

TIP If you are filing a joint return, make sure that the names and SSNs on Form 1040-V are shown in the same order as they appear on Form 1040, to ensure that your payment is processed correctly.

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.

TIP You may need to (a) increase the amount of income tax withheld from your pay or (b) make estimated tax payments for 1999. See **Income Tax Withholding and Estimated Tax Payments for 1999** on page 46.

Installment Payments

If you cannot pay the full amount shown on line 68 when you file, you may ask to make monthly installment payments. However, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 15, 1999, even if your request to pay in installments is granted. You must also pay a fee. To limit the interest and penalty charges, pay as much of the tax as possible when you file. 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**. 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.



Need More Information or Forms? You can use a personal computer, fax, or phone to get what you need. See page 6.

Line 69

Estimated Tax Penalty

Caution: Beginning in 1998, you must include household employment taxes reported on line 55 to see if you owe the penalty if line 57 is more than zero or you would owe the penalty even if you did not include those taxes. But if you entered an amount on Schedule H, line 7, include the total of that amount plus the amount on Form 1040, line 55.

You may owe this penalty if:

- Line 68 is at least \$1,000 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 56 minus the total of any amounts shown on lines 59a and 60 and Forms 8828, 4137, 4136, and 5329 (Parts III, IV, V, VI and VII only).

Exceptions to the Penalty

You will not owe the penalty if your 1997 tax return was for a tax year of 12 full months AND either of the following applies:

1. You had no tax liability for 1997 and you were a U.S. citizen or resident for all of 1997, or
2. The total of lines 57, 58, and 62 on your 1998 return is at least as much as the tax liability shown on your 1997 return. Your estimated tax payments for 1998 must have been made on time and for the required amount.

Figuring the Penalty

If the **Exceptions** above do not apply and you choose to figure the penalty yourself, see **Form 2210** (or **2210-F** for farmers and fishermen) to find out 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). Enter the penalty on Form 1040, line 69. Add the penalty to any tax due and enter the total on line 68. If you are due a refund, subtract the penalty from the overpayment you show on line 65. **Do not** file Form 2210 with your return unless Form 2210 indicates that you must do so. Instead, keep it for your records.



Because Form 2210 is complicated, if you want to, you can leave line 69 blank and the IRS will figure the penalty and send you a bill. We will not charge you interest on the penalty if you pay by the date specified on 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. 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 a Taxpayer** on page 46.

Child's Return

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

Daytime Phone Number

Providing your daytime phone number may help speed the processing of your return if we have a question that can be answered over the phone. However, you do not have to enter your number. If you are filing a joint return, you may enter either your or your spouse's daytime phone number.

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.

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. Put any 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. **Do not** attach correspondence or other items unless required to do so. Attach the first copy or Copy B of Form(s) W-2 to the front of Form 1040.

How To Avoid Common Mistakes

Mistakes may delay your refund or result in notices being sent to you.

1. Be sure to enter your social security number (SSN) in the space provided on page 1 of Form 1040. If you are married filing a joint or separate return, also enter your spouse's SSN. Be sure to enter your SSN in the space next to your name.
2. Make sure you entered the correct SSN for each dependent you claim on line 6c.
3. Check your math, especially for the earned income credit, taxable social security benefits, deduction for exemptions, taxable income, total income, total tax, Federal income tax withheld, and refund or amount you owe.
4. Remember to **sign** and date Form 1040 and enter your occupation.
5. Make sure your name and address are correct on the peel-off label. If not, enter the correct information.
6. If you are taking the standard deduction and you checked any box on line 35a or you (or your spouse if filing jointly) can be claimed as a dependent on someone's return, see page 30 to be sure you entered the correct amount on line 36.
7. If you (or your spouse if you check the box on line 6b) were age 65 or older or blind, be sure you checked the appropriate boxes on line 35a.
8. If you are married filing jointly and did not get a peel-off label, enter your and your spouse's name in the same order as shown on your last return.
9. Attach your W-2 form(s) and other required forms and schedules. Put all forms and schedules in the proper order. See **Assemble Your Return** on this page.
10. If you owe tax, be sure to include all the required information on your payment. See the instructions for line 68 on page 44 for details.

General Information

What Are Your 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, see **Pub. 1**.

Innocent Spouse Relief

You may qualify for relief from liability for tax on a joint return if (1) there is an understatement of tax because your spouse omitted income or claimed false deductions or credits, (2) you are divorced, separated, or no longer living with your spouse, or (3) given all the facts and circumstances, it would be unfair to hold you liable for the tax. See **Form 8857** or **Pub. 971** for more details.

Income Tax Withholding and Estimated Tax Payments for 1999

If the amount you owe or the amount you overpaid is large, you may want to file a new **Form W-4** with your employer to change the amount of income tax withheld from your 1999 pay. In general, you do not have to make estimated tax payments if you expect that your 1999 Form 1040 will show a tax refund or a tax balance due the IRS of less than \$1,000. If your total estimated tax (including any household employment taxes or alternative minimum tax) for 1999 is \$1,000 or more, see **Form 1040-ES**. It has a worksheet you can use to see if you have to make estimated tax payments. For more details, see **Pub. 505**.

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 You Make a Gift To Reduce the Public Debt?

If you wish to do so, make a check payable to "Bureau of the Public Debt." You can send it to: Bureau of the Public Debt, Department G, Washington, DC 20239-0601. Or, you can enclose the check with your income tax return when you file. Do not add your gift to any tax you may owe. If you owe tax, make a separate check for that amount payable to the "United States Treasury."



If you itemize your deductions for 1999, you may be able to deduct this gift.

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, Customer Service Division, at your local IRS district office. You can use **Form 8822** 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.

How Long Should Records Be Kept?

Keep a copy of your tax return, worksheets you used, and records of all items appearing on it (such as W-2 and 1099 forms) 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. 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, see **Pub. 552**.

Amended Return

File **Form 1040X** to change a return you already filed. 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. But you may have more time to file Form 1040X if you are physically or mentally unable to manage your financial affairs. See **Pub. 556** for details.

Need 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.

Death of a Taxpayer

If a taxpayer died before filing a return for 1998, 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 deceased 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 enter "DECEASED," the deceased taxpayer's name, and the date of death across the top of the return.

If your spouse died in 1998 and you did not remarry in 1998, you can file a joint return. You can also file a joint return if your spouse died in 1999 before filing a 1998 return. A joint return should show your spouse's 1998 income before death and your income for all of 1998. Enter "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. A deceased taxpayer's social security number should not be used for tax years after the year of death, except for estate tax return purposes.

Claiming a Refund for a Deceased Taxpayer

If you are filing a joint return as a surviving spouse, you only need to file 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, use TeleTax topic 356 (see page 9) or see **Pub. 559**.



Explore IRS e-file!

Millions of people **just like you** file their tax returns **electronically** using an IRS *e-file* option because they offer:

- A fast refund in **half the time**—even faster with **Direct Deposit**.
- Faster processing and increased accuracy.
- An acknowledgment of IRS receipt within 48 hours.
- The ability to pay your balance due electronically and specify the date the money is debited from your bank account.

In many cases, IRS *e-file* options allow you to file your state tax return with your Federal return. What's more, with IRS *e-file*, your return is less likely

to have errors therefore lessening your chances of receiving a letter from the IRS. Here's how you can participate with IRS *e-file*:

Use an Authorized IRS e-file Provider



Many tax professionals file returns electronically for their clients. You can prepare your own return and have a professional transmit it electronically or you can have your return both prepared AND transmitted electronically. Look for the "AUTHORIZED IRS *e-file* PROVIDER" sign. Tax professionals may charge a fee to *e-file* your return and fees may vary depending on the professional and the specific services requested.

This year, if you owe money with your return, you may take advantage of paying your balance due electronically. This option allows you to **file** your return electronically now and authorize the debit of your bank account on the date you select—any time up to April 15th.

Use a Personal Computer

If you have a modem, personal computer, and tax preparation software, you can *e-file* your tax return from the convenience of your home. Tax preparation software is available at your local computer retailer or through various web sites over the Internet. Through a tax return transmitter, you can file 24 hours a day, 7 days a week. A tax return transmitter may charge a fee for transmitting your return.

Check out the IRS web site at www.irs.ustreas.gov for a list of companies who participate in this IRS *e-file* program. You can also find a listing of partnerships that the IRS has entered into with private sector companies to provide low-cost IRS *e-file* options. You may also take advantage of paying your balance due electronically now and authorize the debit of your bank account on the date you select—any time up to April 15th.

Visit a VITA/TCE Site

The IRS offers FREE Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs. Many of these sites also offer IRS *e-file*. See this page for details on these programs.

Ask Your Employer or Financial Institution

Some businesses offer IRS *e-file* FREE to their employees as a benefit. Others offer it for a fee to customers. Ask your employer or financial institution if they offer electronic filing. If they don't, why not suggest that they offer it as a benefit or service?

Use a Phone



For millions of eligible taxpayers, *TeleFile* is the easiest way to file. The call only takes about 10 minutes! It allows taxpayers to file simple Federal tax returns using a touch-tone telephone. It's completely paperless. Eligible taxpayers will automatically receive the *TeleFile Tax Package* in the mail. **Parents!: If your children receive a *TeleFile Tax Package*, please encourage them to use *TeleFile*!**

Other Ways To Get Help

Send Your Written Questions to the IRS

You may send your written tax questions to your IRS District Director. You should get an answer in about 30 days. If you do not have the address, call us. See page 11. Do not send questions with your return.

Assistance With Your Return

IRS offices can help you prepare your return. An assister will explain a Form 1040EZ, 1040A, or 1040 with Schedules A and B to you and other taxpayers in a group setting. You may also be able to file your return electronically by computer free of charge at some IRS offices. To find the IRS office nearest you, look in the phone book under "United States Government, Internal Revenue Service" or call us. See page 11 for the number.

VITA and TCE

These programs help older, disabled, low-income, and non-English-speaking people fill in their returns. For details, call us. See page 11 for the number. If you received a Federal income tax package in the mail, take it with you when you go for help. Also take a copy of your 1997 tax return if you have it. Or to find the nearest American Association of Retired Persons (AARP) Tax-Aide site, visit AARP's Internet Web Site at

www.aarp.org/taxaide/home.htm or call 1-888-AARPNOW.

On-Line Services

If you subscribe to an on-line service, ask about on-line filing or tax information.

Large-Print Forms and Instructions

Pub. 1614 has large-print copies of Form 1040, Schedules A, B, D, E, EIC, and R, and Form 1040-V, and their instructions. You can use the large-print forms and schedules as worksheets to figure your tax, but you cannot file on them. You can order Pub. 1614 by phone or mail. See pages 6 and 49.

Help for People With Disabilities

Telephone help is available using TTY/TDD equipment. See page 11 for the number to call. Braille materials are available at libraries that have special services for people with disabilities.

Help With Unresolved Tax Issues

Most problems can be solved with one contact either by calling, writing, or visiting an IRS office. But if you have tried unsuccessfully to resolve a problem with the IRS, you should contact the Taxpayer Advocate's **Problem Resolution Program** (PRP). Someone at PRP will assign you a personal advocate who is in the best position to try to resolve your problem. The Taxpayer Advocate can also offer you special help if you have a significant hardship as a result of a tax problem.

You should contact the Taxpayer Advocate if:

- You have tried unsuccessfully to resolve your problem with the IRS and have not been contacted by the date promised, or
- You are on your second attempt to resolve a problem.

You may contact a Taxpayer Advocate by calling a new toll-free assistance number, **1-877-777-4778**. People with access to TTY/TDD equipment may call 1-800-829-4059 and ask for the Taxpayer Advocate. If you prefer, you can write to the Taxpayer Advocate at the IRS office that last contacted you.

While Taxpayer Advocates cannot change the tax law or make a technical tax decision, they can clear up problems that resulted from previous contacts and ensure that your case is given a complete and impartial review. Taxpay-

er Advocates are working to put service first. For more details, use TeleTax topic 104 (see page 9) or see **Pub. 1546**.

Interest and Penalties



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

If you include interest or penalties with your payment, identify and enter the amount in the bottom margin of Form 1040, page 2. Please **do not** include it in the **amount you owe** on line 68.

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 misstatements, and substantial understatements of tax. Interest is charged on the penalty from the due date of the return (including extensions).

Penalties

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.

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. This penalty is in addition to interest charges on late payments.

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 preprinted language above the space where you sign.

Other

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. See **Pub. 17** for details on some of these penalties.

Order Blank for Forms and Publications

The most frequently ordered forms and publications are listed on the order blank below. See pages 7 and 8 for the titles of the forms and the next page for the titles of the publications. We will mail you two copies of each form and one copy of each publication you order. To help reduce waste, please order only the items you need to prepare your return.



For faster ways of getting the items you need, such as by computer or fax, see page 6.

How To Use the Order Blank

Circle the items you need 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 send it to the IRS address shown on this page that applies to you. You should receive your order within 10 days after we receive your request.

Do not send your tax return to any of the addresses listed on this page. Instead, see the back cover.



Where To Mail Your Order Blank for Free Forms and Publications

IF you live in the . . .	THEN mail to . . .	AT this address . . .
Western United States	Western Area Distribution Center	Rancho Cordova, CA 95743-0001
Central United States	Central Area Distribution Center	P.O. Box 8903 Bloomington, IL 61702-8903
Eastern United States or a foreign country	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 _____

The items in bold may be picked up at many post offices and libraries. You may also download all these items from the Internet at www.irs.ustreas.gov or place an electronic order for them.

Circle the forms and publications you need. The instructions for any form you order will be included.

1040	Schedule F (1040)	Schedule 3 (1040A)	2441	8812	Pub. 463	Pub. 527	Pub. 926
Schedules A&B (1040)	Schedule H (1040)	1040EZ	3903	8822	Pub. 501	Pub. 529	Pub. 929
Schedule C (1040)	Schedule J (1040)	1040-ES (1999)	4562	8829	Pub. 502	Pub. 550	Pub. 936
Schedule C-EZ (1040)	Schedule R (1040)	1040-V	4868	8863	Pub. 505	Pub. 554	Pub. 970
Schedule D (1040)	Schedule SE (1040)	1040X	5329	9465	Pub. 508	Pub. 575	
Schedule D-1 (1040)	1040A	2106	8283	Pub. 1	Pub. 521	Pub. 590	
Schedule E (1040)	Schedule 1 (1040A)	2106-EZ	8582	Pub. 17	Pub. 523	Pub. 596	
Schedule EIC (1040A or 1040)	Schedule 2 (1040A)	2210	8606	Pub. 334	Pub. 525	Pub. 910	



N

Publications

See **Pub. 910** for a complete list of available publications.

- 1** Your Rights as a Taxpayer
- 17** Your Federal Income Tax
- 334** Tax Guide for Small Business
- 463** Travel, Entertainment, Gift, and Car 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** Older Americans' Tax Guide
- 575** Pension and Annuity Income
- 590** Individual Retirement Arrangements (IRAs)
- 596** Earned Income Credit
- 910** Guide to Free Tax Services
- 926** Household Employer's Tax Guide
- 929** Tax Rules for Children and Dependents
- 936** Home Mortgage Interest Deduction
- 970** Tax Benefits for Higher Education

Disclosure, Privacy Act, and Paperwork Reduction Act Notice

The IRS Restructuring and Reform Act of 1998, the Privacy Act of 1974, and Paperwork Reduction Act of 1980 require 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 requires that you provide your social security number or individual taxpayer identification number on what you file. This is so we know who you are, and can process your return and other 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 or provide your daytime telephone number.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books and records relating to a form or its

instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

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.

If you do not file a return, do not provide the information we ask for, or provide fraudulent information, you may be charged penalties and 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.

Generally, tax returns and return information are confidential, as stated in Code section 6103. However, Code section 6103 allows or requires the Internal Revenue Service to disclose or give the information shown on your tax return to others as described in the Code. For example, we may disclose your tax information to the Department of Justice, to enforce the tax laws, both civil and criminal, and to cities, states, the District of Columbia, U.S. commonwealths or possessions, and certain foreign governments to carry out their tax laws. We may disclose your tax information to the Department of Treasury and contractors for tax administration purposes; and to other persons as necessary to obtain information which we cannot get in any other way in order to determine the amount of or to collect the tax you owe. We may disclose your tax information to the Comptroller General of the United States to permit the Comptroller General to

review the Internal Revenue Service. We may also disclose your tax information to Committees of Congress; Federal, state, and local child support agencies; and to other Federal agencies for the purposes of determining entitlement for benefits or the eligibility for and the repayment of loans.

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 can be easily understood. Often this is difficult to do because our tax laws 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 e-mail us your suggestions and comments through the IRS Internet Home Page (www.irs.ustreas.gov) or write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send your return to this address. Instead, see the back cover.

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	Totals
Form 1040	3 hr., 34 min.	2 hr., 25 min.	4 hr., 55 min.	40 min.	11 hr., 34 min.
Sch. A	2 hr., 32 min.	26 min.	1 hr., 10 min.	20 min.	4 hr., 28 min.
Sch. B	33 min.	8 min.	11 min.	20 min.	1 hr., 12 min.
Sch. C	6 hr., 26 min.	1 hr., 11 min.	2 hr., 6 min.	35 min.	10 hr., 18 min.
Sch. C-EZ	46 min.	4 min.	34 min.	20 min.	1 hr., 44 min.
Sch. D	1 hr., 11 min.	2 hr., 18 min.	2 hr., 37 min.	35 min.	6 hr., 41 min.
Sch. D-1	13 min.	1 min.	11 min.	35 min.	1 hr.
Sch. E	2 hr., 52 min.	1 hr., 7 min.	1 hr., 16 min.	35 min.	5 hr., 50 min.
Sch. EIC	- - - -	2 min.	5 min.	20 min.	27 min.
Sch. F:					
Cash Method	4 hr., 2 min.	36 min.	1 hr., 14 min.	20 min.	6 hr., 12 min.
Accrual Method	4 hr., 22 min.	25 min.	1 hr., 19 min.	20 min.	6 hr., 26 min.
Sch. H	46 min.	30 min.	48 min.	35 min.	2 hr., 39 min.
Sch. J	20 min.	8 min.	1 hr., 8 min.	20 min.	1 hr., 56 min.
Sch. R	20 min.	15 min.	20 min.	35 min.	1 hr., 30 min.
Sch. SE:					
Short	20 min.	13 min.	11 min.	14 min.	58 min.
Long	26 min.	22 min.	34 min.	20 min.	1 hr., 42 min.

1998 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 39 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 should enter on line 40 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	3,784	3,784	4,310	3,784
25,250	25,300	3,791	3,791	4,324	3,791
25,300	25,350	3,799	3,799	4,338	3,799
25,350	25,400	3,810	3,806	4,352	3,806

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

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

1998 Tax Table—Continued

If line 39 (taxable income) is—		And you are—				If line 39 (taxable income) is—		And you are—				If line 39 (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

1998 Tax Table—Continued

If line 39 (taxable income) is—		And you are—				If line 39 (taxable income) is—		And you are—				If line 39 (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	3,004	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	3,011	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	3,019	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	3,026	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	3,034	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	3,041	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	3,049	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	3,056	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	3,064	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	3,071	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	3,079	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	3,086	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	3,094	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	3,101	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	3,109	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	3,116	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	3,124	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	3,131	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	3,139	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	3,146	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	3,154	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	3,161	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	3,169	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	3,176	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	3,190	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	3,204	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	3,218	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	3,232	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	3,246	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	3,260	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	3,274	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	3,288	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	3,302	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	3,316	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	3,330	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	3,344	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	3,358	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	3,372	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	3,386	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	3,400	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	2,854	2,854	22,000	22,050	3,304	3,304	3,414	3,304
16,050	16,100	2,411	2,411	2,411	2,411	19,050	19,100	2,861	2,861	2,861	2,861	22,050	22,100	3,311	3,311	3,428	3,311
16,100	16,150	2,419	2,419	2,419	2,419	19,100	19,150	2,869	2,869	2,869	2,869	22,100	22,150	3,319	3,319	3,442	3,319
16,150	16,200	2,426	2,426	2,426	2,426	19,150	19,200	2,876	2,876	2,876	2,876	22,150	22,200	3,326	3,326	3,456	3,326
16,200	16,250	2,434	2,434	2,434	2,434	19,200	19,250	2,884	2,884	2,884	2,884	22,200	22,250	3,334	3,334	3,470	3,334
16,250	16,300	2,441	2,441	2,441	2,441	19,250	19,300	2,891	2,891	2,891	2,891	22,250	22,300	3,341	3,341	3,484	3,341
16,300	16,350	2,449	2,449	2,449	2,449	19,300	19,350	2,899	2,899	2,899	2,899	22,300	22,350	3,349	3,349	3,498	3,349
16,350	16,400	2,456	2,456	2,456	2,456	19,350	19,400	2,906	2,906	2,906	2,906	22,350	22,400	3,356	3,356	3,512	3,356
16,400	16,450	2,464	2,464	2,464	2,464	19,400	19,450	2,914	2,914	2,914	2,914	22,400	22,450	3,364	3,364	3,526	3,364
16,450	16,500	2,471	2,471	2,471	2,471	19,450	19,500	2,921	2,921	2,921	2,921	22,450	22,500	3,371	3,371	3,540	3,371
16,500	16,550	2,479	2,479	2,479	2,479	19,500	19,550	2,929	2,929	2,929	2,929	22,500	22,550	3,379	3,379	3,554	3,379
16,550	16,600	2,486	2,486	2,486	2,486	19,550	19,600	2,936	2,936	2,936	2,936	22,550	22,600	3,386	3,386	3,568	3,386
16,600	16,650	2,494	2,494	2,494	2,494	19,600	19,650	2,944	2,944	2,944	2,944	22,600	22,650	3,394	3,394	3,582	3,394
16,650	16,700	2,501	2,501	2,501	2,501	19,650	19,700	2,951	2,951	2,951	2,951	22,650	22,700	3,401	3,401	3,596	3,401
16,700	16,750	2,509	2,509	2,509	2,509	19,700	19,750	2,959	2,959	2,959	2,959	22,700	22,750	3,409	3,409	3,610	3,409
16,750	16,800	2,516	2,516	2,516	2,516	19,750	19,800	2,966	2,966	2,966	2,966	22,750	22,800	3,416	3,416	3,624	3,416
16,800	16,850	2,524	2,524	2,524	2,524	19,800	19,850	2,974	2,974	2,974	2,974	22,800	22,850	3,424	3,424	3,638	3,424
16,850	16,900	2,531	2,531	2,531	2,531	19,850	19,900	2,981	2,981	2,981	2,981	22,850	22,900	3,431	3,431	3,652	3,431
16,900	16,950	2,539	2,539	2,539	2,539	19,900	19,950	2,989	2,989	2,989	2,989	22,900	22,950	3,439	3,439	3,666	3,439
16,950	17,000	2,546	2,546	2,546	2,546	19,950	20,000	2,996	2,996	2,996							

1998 Tax Table—Continued

If line 39 (taxable income) is—		And you are—				If line 39 (taxable income) is—		And you are—				If line 39 (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—			
23,000						26,000						29,000					
23,000	23,050	3,454	3,454	3,694	3,454	26,000	26,050	3,992	3,904	4,534	3,904	29,000	29,050	4,832	4,354	5,374	4,354
23,050	23,100	3,461	3,461	3,708	3,461	26,050	26,100	4,006	3,911	4,548	3,911	29,050	29,100	4,846	4,361	5,388	4,361
23,100	23,150	3,469	3,469	3,722	3,469	26,100	26,150	4,020	3,919	4,562	3,919	29,100	29,150	4,860	4,369	5,402	4,369
23,150	23,200	3,476	3,476	3,736	3,476	26,150	26,200	4,034	3,926	4,576	3,926	29,150	29,200	4,874	4,376	5,416	4,376
23,200	23,250	3,484	3,484	3,750	3,484	26,200	26,250	4,048	3,934	4,590	3,934	29,200	29,250	4,888	4,384	5,430	4,384
23,250	23,300	3,491	3,491	3,764	3,491	26,250	26,300	4,062	3,941	4,604	3,941	29,250	29,300	4,902	4,391	5,444	4,391
23,300	23,350	3,499	3,499	3,778	3,499	26,300	26,350	4,076	3,949	4,618	3,949	29,300	29,350	4,916	4,399	5,458	4,399
23,350	23,400	3,506	3,506	3,792	3,506	26,350	26,400	4,090	3,956	4,632	3,956	29,350	29,400	4,930	4,406	5,472	4,406
23,400	23,450	3,514	3,514	3,806	3,514	26,400	26,450	4,104	3,964	4,646	3,964	29,400	29,450	4,944	4,414	5,486	4,414
23,450	23,500	3,521	3,521	3,820	3,521	26,450	26,500	4,118	3,971	4,660	3,971	29,450	29,500	4,958	4,421	5,500	4,421
23,500	23,550	3,529	3,529	3,834	3,529	26,500	26,550	4,132	3,979	4,674	3,979	29,500	29,550	4,972	4,429	5,514	4,429
23,550	23,600	3,536	3,536	3,848	3,536	26,550	26,600	4,146	3,986	4,688	3,986	29,550	29,600	4,986	4,436	5,528	4,436
23,600	23,650	3,544	3,544	3,862	3,544	26,600	26,650	4,160	3,994	4,702	3,994	29,600	29,650	5,000	4,444	5,542	4,444
23,650	23,700	3,551	3,551	3,876	3,551	26,650	26,700	4,174	4,001	4,716	4,001	29,650	29,700	5,014	4,451	5,556	4,451
23,700	23,750	3,559	3,559	3,890	3,559	26,700	26,750	4,188	4,009	4,730	4,009	29,700	29,750	5,028	4,459	5,570	4,459
23,750	23,800	3,566	3,566	3,904	3,566	26,750	26,800	4,202	4,016	4,744	4,016	29,750	29,800	5,042	4,466	5,584	4,466
23,800	23,850	3,574	3,574	3,918	3,574	26,800	26,850	4,216	4,024	4,758	4,024	29,800	29,850	5,056	4,474	5,598	4,474
23,850	23,900	3,581	3,581	3,932	3,581	26,850	26,900	4,230	4,031	4,772	4,031	29,850	29,900	5,070	4,481	5,612	4,481
23,900	23,950	3,589	3,589	3,946	3,589	26,900	26,950	4,244	4,039	4,786	4,039	29,900	29,950	5,084	4,489	5,626	4,489
23,950	24,000	3,596	3,596	3,960	3,596	26,950	27,000	4,258	4,046	4,800	4,046	29,950	30,000	5,098	4,496	5,640	4,496
24,000						27,000						30,000					
24,000	24,050	3,604	3,604	3,974	3,604	27,000	27,050	4,272	4,054	4,814	4,054	30,000	30,050	5,112	4,504	5,654	4,504
24,050	24,100	3,611	3,611	3,988	3,611	27,050	27,100	4,286	4,061	4,828	4,061	30,050	30,100	5,126	4,511	5,668	4,511
24,100	24,150	3,619	3,619	4,002	3,619	27,100	27,150	4,300	4,069	4,842	4,069	30,100	30,150	5,140	4,519	5,682	4,519
24,150	24,200	3,626	3,626	4,016	3,626	27,150	27,200	4,314	4,076	4,856	4,076	30,150	30,200	5,154	4,526	5,696	4,526
24,200	24,250	3,634	3,634	4,030	3,634	27,200	27,250	4,328	4,084	4,870	4,084	30,200	30,250	5,168	4,534	5,710	4,534
24,250	24,300	3,641	3,641	4,044	3,641	27,250	27,300	4,342	4,091	4,884	4,091	30,250	30,300	5,182	4,541	5,724	4,541
24,300	24,350	3,649	3,649	4,058	3,649	27,300	27,350	4,356	4,099	4,898	4,099	30,300	30,350	5,196	4,549	5,738	4,549
24,350	24,400	3,656	3,656	4,072	3,656	27,350	27,400	4,370	4,106	4,912	4,106	30,350	30,400	5,210	4,556	5,752	4,556
24,400	24,450	3,664	3,664	4,086	3,664	27,400	27,450	4,384	4,114	4,926	4,114	30,400	30,450	5,224	4,564	5,766	4,564
24,450	24,500	3,671	3,671	4,100	3,671	27,450	27,500	4,398	4,121	4,940	4,121	30,450	30,500	5,238	4,571	5,780	4,571
24,500	24,550	3,679	3,679	4,114	3,679	27,500	27,550	4,412	4,129	4,954	4,129	30,500	30,550	5,252	4,579	5,794	4,579
24,550	24,600	3,686	3,686	4,128	3,686	27,550	27,600	4,426	4,136	4,968	4,136	30,550	30,600	5,266	4,586	5,808	4,586
24,600	24,650	3,694	3,694	4,142	3,694	27,600	27,650	4,440	4,144	4,982	4,144	30,600	30,650	5,280	4,594	5,822	4,594
24,650	24,700	3,701	3,701	4,156	3,701	27,650	27,700	4,454	4,151	4,996	4,151	30,650	30,700	5,294	4,601	5,836	4,601
24,700	24,750	3,709	3,709	4,170	3,709	27,700	27,750	4,468	4,159	5,010	4,159	30,700	30,750	5,308	4,609	5,850	4,609
24,750	24,800	3,716	3,716	4,184	3,716	27,750	27,800	4,482	4,166	5,024	4,166	30,750	30,800	5,322	4,616	5,864	4,616
24,800	24,850	3,724	3,724	4,198	3,724	27,800	27,850	4,496	4,174	5,038	4,174	30,800	30,850	5,336	4,624	5,878	4,624
24,850	24,900	3,731	3,731	4,212	3,731	27,850	27,900	4,510	4,181	5,052	4,181	30,850	30,900	5,350	4,631	5,892	4,631
24,900	24,950	3,739	3,739	4,226	3,739	27,900	27,950	4,524	4,189	5,066	4,189	30,900	30,950	5,364	4,639	5,906	4,639
24,950	25,000	3,746	3,746	4,240	3,746	27,950	28,000	4,538	4,196	5,080	4,196	30,950	31,000	5,378	4,646	5,920	4,646
25,000						28,000						31,000					
25,000	25,050	3,754	3,754	4,254	3,754	28,000	28,050	4,552	4,204	5,094	4,204	31,000	31,050	5,392	4,654	5,934	4,654
25,050	25,100	3,761	3,761	4,268	3,761	28,050	28,100	4,566	4,211	5,108	4,211	31,050	31,100	5,406	4,661	5,948	4,661
25,100	25,150	3,769	3,769	4,282	3,769	28,100	28,150	4,580	4,219	5,122	4,219	31,100	31,150	5,420	4,669	5,962	4,669
25,150	25,200	3,776	3,776	4,296	3,776	28,150	28,200	4,594	4,226	5,136	4,226	31,150	31,200	5,434	4,676	5,976	4,676
25,200	25,250	3,784	3,784	4,310	3,784	28,200	28,250	4,608	4,234	5,150	4,234	31,200	31,250	5,448	4,684	5,990	4,684
25,250	25,300	3,791	3,791	4,324	3,791	28,250	28,300	4,622	4,241	5,164	4,241	31,250	31,300	5,462	4,691	6,004	4,691
25,300	25,350	3,799	3,799	4,338	3,799	28,300	28,350	4,636	4,249	5,178	4,249	31,300	31,350	5,476	4,699	6,018	4,699
25,350	25,400	3,810	3,806	4,352	3,806	28,350	28,400	4,650	4,256	5,192	4,256	31,350	31,400	5,490	4,706	6,032	4,706
25,400	25,450	3,824	3,814	4,366	3,814	28,400	28,450	4,664	4,264	5,206	4,264	31,400	31,450	5,504	4,714	6,046	4,714
25,450	25,500	3,838	3,821	4,380	3,821	28,450	28,500	4,678	4,271	5,220	4,271	31,450	31,500	5,518	4,721	6,060	4,721
25,500	25,550	3,852	3,829	4,394	3,829	28,500	28,550	4,692	4,279	5,234	4,279	31,500	31,550	5,532	4,729	6,074	4,729
25,550	25,600	3,866	3,836	4,408	3,836	28,550	28,600	4,706	4,286	5,248	4,286	31,550	31,600	5,546	4,736	6,088	4,736
25,600	25,650	3,880	3,844	4,422	3,844	28,600	28,650	4,720	4,294	5,262	4,294	31,600	31,650	5,560	4,744	6,102	4,744
25,650	25,700	3,894	3,851	4,436	3,851	28,650	28,700	4,734	4,301	5,276	4,301	31,650	31,700	5,574	4,751	6,116	4,751
25,700	25,750	3,908	3,859	4,450	3,859	28,700	28,750	4,748	4,309	5,290	4,309	31,700	31,750	5,588	4,759	6,130	4,759
25,750	25,800	3,922	3,866	4,464	3,866	28,750	28,800	4,762	4,316	5,304	4,316	31,750	31,800	5,602	4,766	6,144	4,766
25,800	25,850	3,936	3,874	4,478	3,874	28,800	28,850	4,776	4,324	5,318	4,324	31,800	31,850	5,616	4,774	6,158	4,774
25,850	25,900	3,950	3,881	4,492	3,881	28,850	28,900	4,790	4,331	5,332	4,331	31,850	31,900	5,630	4,781	6,172	4,781
25,900	25,950	3,964	3,889	4,506	3,889	28,900	28,950	4,804	4,339	5,346	4,339	31,900	31,950	5,644	4,789	6,186	4,789
25,950	26,000	3,978	3,896	4,520	3,896	28,950	29,000	4,818	4,346	5,360							

1998 Tax Table—Continued

If line 39 (taxable income) is—		And you are—				If line 39 (taxable income) is—		And you are—				If line 39 (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—			
32,000						35,000						38,000					
32,000	32,050	5,672	4,804	6,214	4,804	35,000	35,050	6,512	5,254	7,054	5,394	38,000	38,050	7,352	5,704	7,894	6,234
32,050	32,100	5,686	4,811	6,228	4,811	35,050	35,100	6,526	5,261	7,068	5,408	38,050	38,100	7,366	5,711	7,908	6,248
32,100	32,150	5,700	4,819	6,242	4,819	35,100	35,150	6,540	5,269	7,082	5,422	38,100	38,150	7,380	5,719	7,922	6,262
32,150	32,200	5,714	4,826	6,256	4,826	35,150	35,200	6,554	5,276	7,096	5,436	38,150	38,200	7,394	5,726	7,936	6,276
32,200	32,250	5,728	4,834	6,270	4,834	35,200	35,250	6,568	5,284	7,110	5,450	38,200	38,250	7,408	5,734	7,950	6,290
32,250	32,300	5,742	4,841	6,284	4,841	35,250	35,300	6,582	5,291	7,124	5,464	38,250	38,300	7,422	5,741	7,964	6,304
32,300	32,350	5,756	4,849	6,298	4,849	35,300	35,350	6,596	5,299	7,138	5,478	38,300	38,350	7,436	5,749	7,978	6,318
32,350	32,400	5,770	4,856	6,312	4,856	35,350	35,400	6,610	5,306	7,152	5,492	38,350	38,400	7,450	5,756	7,992	6,332
32,400	32,450	5,784	4,864	6,326	4,864	35,400	35,450	6,624	5,314	7,166	5,506	38,400	38,450	7,464	5,764	8,006	6,346
32,450	32,500	5,798	4,871	6,340	4,871	35,450	35,500	6,638	5,321	7,180	5,520	38,450	38,500	7,478	5,771	8,020	6,360
32,500	32,550	5,812	4,879	6,354	4,879	35,500	35,550	6,652	5,329	7,194	5,534	38,500	38,550	7,492	5,779	8,034	6,374
32,550	32,600	5,826	4,886	6,368	4,886	35,550	35,600	6,666	5,336	7,208	5,548	38,550	38,600	7,506	5,786	8,048	6,388
32,600	32,650	5,840	4,894	6,382	4,894	35,600	35,650	6,680	5,344	7,222	5,562	38,600	38,650	7,520	5,794	8,062	6,402
32,650	32,700	5,854	4,901	6,396	4,901	35,650	35,700	6,694	5,351	7,236	5,576	38,650	38,700	7,534	5,801	8,076	6,416
32,700	32,750	5,868	4,909	6,410	4,909	35,700	35,750	6,708	5,359	7,250	5,590	38,700	38,750	7,548	5,809	8,090	6,430
32,750	32,800	5,882	4,916	6,424	4,916	35,750	35,800	6,722	5,366	7,264	5,604	38,750	38,800	7,562	5,816	8,104	6,444
32,800	32,850	5,896	4,924	6,438	4,924	35,800	35,850	6,736	5,374	7,278	5,618	38,800	38,850	7,576	5,824	8,118	6,458
32,850	32,900	5,910	4,931	6,452	4,931	35,850	35,900	6,750	5,381	7,292	5,632	38,850	38,900	7,590	5,831	8,132	6,472
32,900	32,950	5,924	4,939	6,466	4,939	35,900	35,950	6,764	5,389	7,306	5,646	38,900	38,950	7,604	5,839	8,146	6,486
32,950	33,000	5,938	4,946	6,480	4,946	35,950	36,000	6,778	5,396	7,320	5,660	38,950	39,000	7,618	5,846	8,160	6,500
33,000						36,000						39,000					
33,000	33,050	5,952	4,954	6,494	4,954	36,000	36,050	6,792	5,404	7,334	5,674	39,000	39,050	7,632	5,854	8,174	6,514
33,050	33,100	5,966	4,961	6,508	4,961	36,050	36,100	6,806	5,411	7,348	5,688	39,050	39,100	7,646	5,861	8,188	6,528
33,100	33,150	5,980	4,969	6,522	4,969	36,100	36,150	6,820	5,419	7,362	5,702	39,100	39,150	7,660	5,869	8,202	6,542
33,150	33,200	5,994	4,976	6,536	4,976	36,150	36,200	6,834	5,426	7,376	5,716	39,150	39,200	7,674	5,876	8,216	6,556
33,200	33,250	6,008	4,984	6,550	4,984	36,200	36,250	6,848	5,434	7,390	5,730	39,200	39,250	7,688	5,884	8,230	6,570
33,250	33,300	6,022	4,991	6,564	4,991	36,250	36,300	6,862	5,441	7,404	5,744	39,250	39,300	7,702	5,891	8,244	6,584
33,300	33,350	6,036	4,999	6,578	4,999	36,300	36,350	6,876	5,449	7,418	5,758	39,300	39,350	7,716	5,899	8,258	6,598
33,350	33,400	6,050	5,006	6,592	5,006	36,350	36,400	6,890	5,456	7,432	5,772	39,350	39,400	7,730	5,906	8,272	6,612
33,400	33,450	6,064	5,014	6,606	5,014	36,400	36,450	6,904	5,464	7,446	5,786	39,400	39,450	7,744	5,914	8,286	6,626
33,450	33,500	6,078	5,021	6,620	5,021	36,450	36,500	6,918	5,471	7,460	5,800	39,450	39,500	7,758	5,921	8,300	6,640
33,500	33,550	6,092	5,029	6,634	5,029	36,500	36,550	6,932	5,479	7,474	5,814	39,500	39,550	7,772	5,929	8,314	6,654
33,550	33,600	6,106	5,036	6,648	5,036	36,550	36,600	6,946	5,486	7,488	5,828	39,550	39,600	7,786	5,936	8,328	6,668
33,600	33,650	6,120	5,044	6,662	5,044	36,600	36,650	6,960	5,494	7,502	5,842	39,600	39,650	7,800	5,944	8,342	6,682
33,650	33,700	6,134	5,051	6,676	5,051	36,650	36,700	6,974	5,501	7,516	5,856	39,650	39,700	7,814	5,951	8,356	6,696
33,700	33,750	6,148	5,059	6,690	5,059	36,700	36,750	6,988	5,509	7,530	5,870	39,700	39,750	7,828	5,959	8,370	6,710
33,750	33,800	6,162	5,066	6,704	5,066	36,750	36,800	7,002	5,516	7,544	5,884	39,750	39,800	7,842	5,966	8,384	6,724
33,800	33,850	6,176	5,074	6,718	5,074	36,800	36,850	7,016	5,524	7,558	5,898	39,800	39,850	7,856	5,974	8,398	6,738
33,850	33,900	6,190	5,081	6,732	5,081	36,850	36,900	7,030	5,531	7,572	5,912	39,850	39,900	7,870	5,981	8,412	6,752
33,900	33,950	6,204	5,089	6,746	5,089	36,900	36,950	7,044	5,539	7,586	5,926	39,900	39,950	7,884	5,989	8,426	6,766
33,950	34,000	6,218	5,096	6,760	5,100	36,950	37,000	7,058	5,546	7,600	5,940	39,950	40,000	7,898	5,996	8,440	6,780
34,000						37,000						40,000					
34,000	34,050	6,232	5,104	6,774	5,114	37,000	37,050	7,072	5,554	7,614	5,954	40,000	40,050	7,912	6,004	8,454	6,794
34,050	34,100	6,246	5,111	6,788	5,128	37,050	37,100	7,086	5,561	7,628	5,968	40,050	40,100	7,926	6,011	8,468	6,808
34,100	34,150	6,260	5,119	6,802	5,142	37,100	37,150	7,100	5,569	7,642	5,982	40,100	40,150	7,940	6,019	8,482	6,822
34,150	34,200	6,274	5,126	6,816	5,156	37,150	37,200	7,114	5,576	7,656	5,996	40,150	40,200	7,954	6,026	8,496	6,836
34,200	34,250	6,288	5,134	6,830	5,170	37,200	37,250	7,128	5,584	7,670	6,010	40,200	40,250	7,968	6,034	8,510	6,850
34,250	34,300	6,302	5,141	6,844	5,184	37,250	37,300	7,142	5,591	7,684	6,024	40,250	40,300	7,982	6,041	8,524	6,864
34,300	34,350	6,316	5,149	6,858	5,198	37,300	37,350	7,156	5,599	7,698	6,038	40,300	40,350	7,996	6,049	8,538	6,878
34,350	34,400	6,330	5,156	6,872	5,212	37,350	37,400	7,170	5,606	7,712	6,052	40,350	40,400	8,010	6,056	8,552	6,892
34,400	34,450	6,344	5,164	6,886	5,226	37,400	37,450	7,184	5,614	7,726	6,066	40,400	40,450	8,024	6,064	8,566	6,906
34,450	34,500	6,358	5,171	6,900	5,240	37,450	37,500	7,198	5,621	7,740	6,080	40,450	40,500	8,038	6,071	8,580	6,920
34,500	34,550	6,372	5,179	6,914	5,254	37,500	37,550	7,212	5,629	7,754	6,094	40,500	40,550	8,052	6,079	8,594	6,934
34,550	34,600	6,386	5,186	6,928	5,268	37,550	37,600	7,226	5,636	7,768	6,108	40,550	40,600	8,066	6,086	8,608	6,948
34,600	34,650	6,400	5,194	6,942	5,282	37,600	37,650	7,240	5,644	7,782	6,122	40,600	40,650	8,080	6,094	8,622	6,962
34,650	34,700	6,414	5,201	6,956	5,296	37,650	37,700	7,254	5,651	7,796	6,136	40,650	40,700	8,094	6,101	8,636	6,976
34,700	34,750	6,428	5,209	6,970	5,310	37,700	37,750	7,268	5,659	7,810	6,150	40,700	40,750	8,108	6,109	8,650	6,990
34,750	34,800	6,442	5,216	6,984	5,324	37,7											

1998 Tax Table—Continued

If line 39 (taxable income) is—		And you are—				If line 39 (taxable income) is—		And you are—				If line 39 (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—			
41,000						44,000						47,000					
41,000	41,050	8,192	6,154	8,734	7,074	44,000	44,050	9,032	6,822	9,574	7,914	47,000	47,050	9,872	7,662	10,414	8,754
41,050	41,100	8,206	6,161	8,748	7,088	44,050	44,100	9,046	6,836	9,588	7,928	47,050	47,100	9,886	7,676	10,428	8,768
41,100	41,150	8,220	6,169	8,762	7,102	44,100	44,150	9,060	6,850	9,602	7,942	47,100	47,150	9,900	7,690	10,442	8,782
41,150	41,200	8,234	6,176	8,776	7,116	44,150	44,200	9,074	6,864	9,616	7,956	47,150	47,200	9,914	7,704	10,456	8,796
41,200	41,250	8,248	6,184	8,790	7,130	44,200	44,250	9,088	6,878	9,630	7,970	47,200	47,250	9,928	7,718	10,470	8,810
41,250	41,300	8,262	6,191	8,804	7,144	44,250	44,300	9,102	6,892	9,644	7,984	47,250	47,300	9,942	7,732	10,484	8,824
41,300	41,350	8,276	6,199	8,818	7,158	44,300	44,350	9,116	6,906	9,658	7,998	47,300	47,350	9,956	7,746	10,498	8,838
41,350	41,400	8,290	6,206	8,832	7,172	44,350	44,400	9,130	6,920	9,672	8,012	47,350	47,400	9,970	7,760	10,512	8,852
41,400	41,450	8,304	6,214	8,846	7,186	44,400	44,450	9,144	6,934	9,686	8,026	47,400	47,450	9,984	7,774	10,526	8,866
41,450	41,500	8,318	6,221	8,860	7,200	44,450	44,500	9,158	6,948	9,700	8,040	47,450	47,500	9,998	7,788	10,540	8,880
41,500	41,550	8,332	6,229	8,874	7,214	44,500	44,550	9,172	6,962	9,714	8,054	47,500	47,550	10,012	7,802	10,554	8,894
41,550	41,600	8,346	6,236	8,888	7,228	44,550	44,600	9,186	6,976	9,728	8,068	47,550	47,600	10,026	7,816	10,568	8,908
41,600	41,650	8,360	6,244	8,902	7,242	44,600	44,650	9,200	6,990	9,742	8,082	47,600	47,650	10,040	7,830	10,582	8,922
41,650	41,700	8,374	6,251	8,916	7,256	44,650	44,700	9,214	7,004	9,756	8,096	47,650	47,700	10,054	7,844	10,596	8,936
41,700	41,750	8,388	6,259	8,930	7,270	44,700	44,750	9,228	7,018	9,770	8,110	47,700	47,750	10,068	7,858	10,610	8,950
41,750	41,800	8,402	6,266	8,944	7,284	44,750	44,800	9,242	7,032	9,784	8,124	47,750	47,800	10,082	7,872	10,624	8,964
41,800	41,850	8,416	6,274	8,958	7,298	44,800	44,850	9,256	7,046	9,798	8,138	47,800	47,850	10,096	7,886	10,638	8,978
41,850	41,900	8,430	6,281	8,972	7,312	44,850	44,900	9,270	7,060	9,812	8,152	47,850	47,900	10,110	7,900	10,652	8,992
41,900	41,950	8,444	6,289	8,986	7,326	44,900	44,950	9,284	7,074	9,826	8,166	47,900	47,950	10,124	7,914	10,666	9,006
41,950	42,000	8,458	6,296	9,000	7,340	44,950	45,000	9,298	7,088	9,840	8,180	47,950	48,000	10,138	7,928	10,680	9,020
42,000						45,000						48,000					
42,000	42,050	8,472	6,304	9,014	7,354	45,000	45,050	9,312	7,102	9,854	8,194	48,000	48,050	10,152	7,942	10,694	9,034
42,050	42,100	8,486	6,311	9,028	7,368	45,050	45,100	9,326	7,116	9,868	8,208	48,050	48,100	10,166	7,956	10,708	9,048
42,100	42,150	8,500	6,319	9,042	7,382	45,100	45,150	9,340	7,130	9,882	8,222	48,100	48,150	10,180	7,970	10,722	9,062
42,150	42,200	8,514	6,326	9,056	7,396	45,150	45,200	9,354	7,144	9,896	8,236	48,150	48,200	10,194	7,984	10,736	9,076
42,200	42,250	8,528	6,334	9,070	7,410	45,200	45,250	9,368	7,158	9,910	8,250	48,200	48,250	10,208	7,998	10,750	9,090
42,250	42,300	8,542	6,341	9,084	7,424	45,250	45,300	9,382	7,172	9,924	8,264	48,250	48,300	10,222	8,012	10,764	9,104
42,300	42,350	8,556	6,349	9,098	7,438	45,300	45,350	9,396	7,186	9,938	8,278	48,300	48,350	10,236	8,026	10,778	9,118
42,350	42,400	8,570	6,360	9,112	7,452	45,350	45,400	9,410	7,200	9,952	8,292	48,350	48,400	10,250	8,040	10,792	9,132
42,400	42,450	8,584	6,374	9,126	7,466	45,400	45,450	9,424	7,214	9,966	8,306	48,400	48,450	10,264	8,054	10,806	9,146
42,450	42,500	8,598	6,388	9,140	7,480	45,450	45,500	9,438	7,228	9,980	8,320	48,450	48,500	10,278	8,068	10,820	9,160
42,500	42,550	8,612	6,402	9,154	7,494	45,500	45,550	9,452	7,242	9,994	8,334	48,500	48,550	10,292	8,082	10,834	9,174
42,550	42,600	8,626	6,416	9,168	7,508	45,550	45,600	9,466	7,256	10,008	8,348	48,550	48,600	10,306	8,096	10,848	9,188
42,600	42,650	8,640	6,430	9,182	7,522	45,600	45,650	9,480	7,270	10,022	8,362	48,600	48,650	10,320	8,110	10,862	9,202
42,650	42,700	8,654	6,444	9,196	7,536	45,650	45,700	9,494	7,284	10,036	8,376	48,650	48,700	10,334	8,124	10,876	9,216
42,700	42,750	8,668	6,458	9,210	7,550	45,700	45,750	9,508	7,298	10,050	8,390	48,700	48,750	10,348	8,138	10,890	9,230
42,750	42,800	8,682	6,472	9,224	7,564	45,750	45,800	9,522	7,312	10,064	8,404	48,750	48,800	10,362	8,152	10,904	9,244
42,800	42,850	8,696	6,486	9,238	7,578	45,800	45,850	9,536	7,326	10,078	8,418	48,800	48,850	10,376	8,166	10,918	9,258
42,850	42,900	8,710	6,500	9,252	7,592	45,850	45,900	9,550	7,340	10,092	8,432	48,850	48,900	10,390	8,180	10,932	9,272
42,900	42,950	8,724	6,514	9,266	7,606	45,900	45,950	9,564	7,354	10,106	8,446	48,900	48,950	10,404	8,194	10,946	9,286
42,950	43,000	8,738	6,528	9,280	7,620	45,950	46,000	9,578	7,368	10,120	8,460	48,950	49,000	10,418	8,208	10,960	9,300
43,000						46,000						49,000					
43,000	43,050	8,752	6,542	9,294	7,634	46,000	46,050	9,592	7,382	10,134	8,474	49,000	49,050	10,432	8,222	10,974	9,314
43,050	43,100	8,766	6,556	9,308	7,648	46,050	46,100	9,606	7,396	10,148	8,488	49,050	49,100	10,446	8,236	10,988	9,328
43,100	43,150	8,780	6,570	9,322	7,662	46,100	46,150	9,620	7,410	10,162	8,502	49,100	49,150	10,460	8,250	11,002	9,342
43,150	43,200	8,794	6,584	9,336	7,676	46,150	46,200	9,634	7,424	10,176	8,516	49,150	49,200	10,474	8,264	11,016	9,356
43,200	43,250	8,808	6,598	9,350	7,690	46,200	46,250	9,648	7,438	10,190	8,530	49,200	49,250	10,488	8,278	11,030	9,370
43,250	43,300	8,822	6,612	9,364	7,704	46,250	46,300	9,662	7,452	10,204	8,544	49,250	49,300	10,502	8,292	11,044	9,384
43,300	43,350	8,836	6,626	9,378	7,718	46,300	46,350	9,676	7,466	10,218	8,558	49,300	49,350	10,516	8,306	11,058	9,398
43,350	43,400	8,850	6,640	9,392	7,732	46,350	46,400	9,690	7,480	10,232	8,572	49,350	49,400	10,530	8,320	11,072	9,412
43,400	43,450	8,864	6,654	9,406	7,746	46,400	46,450	9,704	7,494	10,246	8,586	49,400	49,450	10,544	8,334	11,086	9,426
43,450	43,500	8,878	6,668	9,420	7,760	46,450	46,500	9,718	7,508	10,260	8,600	49,450	49,500	10,558	8,348	11,100	9,440
43,500	43,550	8,892	6,682	9,434	7,774	46,500	46,550	9,732	7,522	10,274	8,614	49,500	49,550	10,572	8,362	11,114	9,454
43,550	43,600	8,906	6,696	9,448	7,788	46,550	46,600	9,746	7,536	10,288	8,628	49,550	49,600	10,586	8,376	11,128	9,468
43,600	43,650	8,920	6,710	9,462	7,802	46,600	46,650	9,760	7,550	10,302	8,642	49,600	49,650	10,600	8,390	11,142	9,482
43,650	43,700	8,934	6,724	9,476	7,816	46,650	46,700	9,774	7,564	10,316	8,656	49,650	49,700	10,614	8,404	11,156	9,496
43,700	43,750	8,948	6,738	9,490	7,830	46,700	46,750	9,788	7,578	10,330	8,670	49,700	49,750	10,628	8,418	11,170	9,510
43,750	43,800	8,962	6,752	9,504	7,844	46,750	46,800	9,802	7,592	10,344	8,684	49,750	49,800	10,642	8,432	11,184	9,524
43,800	43,850	8,976	6,766	9,518	7,858	46,800	46,850	9,816	7,606	10,358	8,698	49,800	49,850	10,656	8,446	11,198	9,538
43,850	43,900	8,990	6,780	9,532	7,872	46,850	46,900	9,830	7,620	10,372	8,712	49,850	49,900	10,670	8,460	11,212	9,552
43,900	43,950	9,004	6,794	9,546	7,886	46,900	46,950	9,844	7,634	10,386	8,726	49,900	49,950	10,684	8,474	11,226	

1998 Tax Table—Continued

If line 39 (taxable income) is—		And you are—				If line 39 (taxable income) is—		And you are—				If line 39 (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	10,712	8,502	11,254	9,594	53,000	53,050	11,552	9,342	12,151	10,434	56,000	56,050	12,392	10,182	13,081	11,274
50,050	50,100	10,726	8,516	11,268	9,608	53,050	53,100	11,566	9,356	12,166	10,448	56,050	56,100	12,406	10,196	13,096	11,288
50,100	50,150	10,740	8,530	11,282	9,622	53,100	53,150	11,580	9,370	12,182	10,462	56,100	56,150	12,420	10,210	13,112	11,302
50,150	50,200	10,754	8,544	11,296	9,636	53,150	53,200	11,594	9,384	12,197	10,476	56,150	56,200	12,434	10,224	13,127	11,316
50,200	50,250	10,768	8,558	11,310	9,650	53,200	53,250	11,608	9,398	12,213	10,490	56,200	56,250	12,448	10,238	13,143	11,330
50,250	50,300	10,782	8,572	11,324	9,664	53,250	53,300	11,622	9,412	12,228	10,504	56,250	56,300	12,462	10,252	13,158	11,344
50,300	50,350	10,796	8,586	11,338	9,678	53,300	53,350	11,636	9,426	12,244	10,518	56,300	56,350	12,476	10,266	13,174	11,358
50,350	50,400	10,810	8,600	11,352	9,692	53,350	53,400	11,650	9,440	12,259	10,532	56,350	56,400	12,490	10,280	13,189	11,372
50,400	50,450	10,824	8,614	11,366	9,706	53,400	53,450	11,664	9,454	12,275	10,546	56,400	56,450	12,504	10,294	13,205	11,386
50,450	50,500	10,838	8,628	11,380	9,720	53,450	53,500	11,678	9,468	12,290	10,560	56,450	56,500	12,518	10,308	13,220	11,400
50,500	50,550	10,852	8,642	11,394	9,734	53,500	53,550	11,692	9,482	12,306	10,574	56,500	56,550	12,532	10,322	13,236	11,414
50,550	50,600	10,866	8,656	11,408	9,748	53,550	53,600	11,706	9,496	12,321	10,588	56,550	56,600	12,546	10,336	13,251	11,428
50,600	50,650	10,880	8,670	11,422	9,762	53,600	53,650	11,720	9,510	12,337	10,602	56,600	56,650	12,560	10,350	13,267	11,442
50,650	50,700	10,894	8,684	11,436	9,776	53,650	53,700	11,734	9,524	12,352	10,616	56,650	56,700	12,574	10,364	13,282	11,456
50,700	50,750	10,908	8,698	11,450	9,790	53,700	53,750	11,748	9,538	12,368	10,630	56,700	56,750	12,588	10,378	13,298	11,470
50,750	50,800	10,922	8,712	11,464	9,804	53,750	53,800	11,762	9,552	12,383	10,644	56,750	56,800	12,602	10,392	13,313	11,484
50,800	50,850	10,936	8,726	11,478	9,818	53,800	53,850	11,776	9,566	12,399	10,658	56,800	56,850	12,616	10,406	13,329	11,498
50,850	50,900	10,950	8,740	11,492	9,832	53,850	53,900	11,790	9,580	12,414	10,672	56,850	56,900	12,630	10,420	13,344	11,512
50,900	50,950	10,964	8,754	11,506	9,846	53,900	53,950	11,804	9,594	12,430	10,686	56,900	56,950	12,644	10,434	13,360	11,526
50,950	51,000	10,978	8,768	11,520	9,860	53,950	54,000	11,818	9,608	12,445	10,700	56,950	57,000	12,658	10,448	13,375	11,540
51,000						54,000						57,000					
51,000	51,050	10,992	8,782	11,534	9,874	54,000	54,050	11,832	9,622	12,461	10,714	57,000	57,050	12,672	10,462	13,391	11,554
51,050	51,100	11,006	8,796	11,548	9,888	54,050	54,100	11,846	9,636	12,476	10,728	57,050	57,100	12,686	10,476	13,406	11,568
51,100	51,150	11,020	8,810	11,562	9,902	54,100	54,150	11,860	9,650	12,492	10,742	57,100	57,150	12,700	10,490	13,422	11,582
51,150	51,200	11,034	8,824	11,577	9,916	54,150	54,200	11,874	9,664	12,507	10,756	57,150	57,200	12,714	10,504	13,437	11,596
51,200	51,250	11,048	8,838	11,593	9,930	54,200	54,250	11,888	9,678	12,523	10,770	57,200	57,250	12,728	10,518	13,453	11,610
51,250	51,300	11,062	8,852	11,608	9,944	54,250	54,300	11,902	9,692	12,538	10,784	57,250	57,300	12,742	10,532	13,468	11,624
51,300	51,350	11,076	8,866	11,624	9,958	54,300	54,350	11,916	9,706	12,554	10,798	57,300	57,350	12,756	10,546	13,484	11,638
51,350	51,400	11,090	8,880	11,639	9,972	54,350	54,400	11,930	9,720	12,569	10,812	57,350	57,400	12,770	10,560	13,499	11,652
51,400	51,450	11,104	8,894	11,655	9,986	54,400	54,450	11,944	9,734	12,585	10,826	57,400	57,450	12,784	10,574	13,515	11,666
51,450	51,500	11,118	8,908	11,670	10,000	54,450	54,500	11,958	9,748	12,600	10,840	57,450	57,500	12,798	10,588	13,530	11,680
51,500	51,550	11,132	8,922	11,686	10,014	54,500	54,550	11,972	9,762	12,616	10,854	57,500	57,550	12,812	10,602	13,546	11,694
51,550	51,600	11,146	8,936	11,701	10,028	54,550	54,600	11,986	9,776	12,631	10,868	57,550	57,600	12,826	10,616	13,561	11,708
51,600	51,650	11,160	8,950	11,717	10,042	54,600	54,650	12,000	9,790	12,647	10,882	57,600	57,650	12,840	10,630	13,577	11,722
51,650	51,700	11,174	8,964	11,732	10,056	54,650	54,700	12,014	9,804	12,662	10,896	57,650	57,700	12,854	10,644	13,592	11,736
51,700	51,750	11,188	8,978	11,748	10,070	54,700	54,750	12,028	9,818	12,678	10,910	57,700	57,750	12,868	10,658	13,608	11,750
51,750	51,800	11,202	8,992	11,763	10,084	54,750	54,800	12,042	9,832	12,693	10,924	57,750	57,800	12,882	10,672	13,623	11,764
51,800	51,850	11,216	9,006	11,779	10,098	54,800	54,850	12,056	9,846	12,709	10,938	57,800	57,850	12,896	10,686	13,639	11,778
51,850	51,900	11,230	9,020	11,794	10,112	54,850	54,900	12,070	9,860	12,724	10,952	57,850	57,900	12,910	10,700	13,654	11,792
51,900	51,950	11,244	9,034	11,810	10,126	54,900	54,950	12,084	9,874	12,740	10,966	57,900	57,950	12,924	10,714	13,670	11,806
51,950	52,000	11,258	9,048	11,825	10,140	54,950	55,000	12,098	9,888	12,755	10,980	57,950	58,000	12,938	10,728	13,685	11,820
52,000						55,000						58,000					
52,000	52,050	11,272	9,062	11,841	10,154	55,000	55,050	12,112	9,902	12,771	10,994	58,000	58,050	12,952	10,742	13,701	11,834
52,050	52,100	11,286	9,076	11,856	10,168	55,050	55,100	12,126	9,916	12,786	11,008	58,050	58,100	12,966	10,756	13,716	11,848
52,100	52,150	11,300	9,090	11,872	10,182	55,100	55,150	12,140	9,930	12,802	11,022	58,100	58,150	12,980	10,770	13,732	11,862
52,150	52,200	11,314	9,104	11,887	10,196	55,150	55,200	12,154	9,944	12,817	11,036	58,150	58,200	12,994	10,784	13,747	11,876
52,200	52,250	11,328	9,118	11,903	10,210	55,200	55,250	12,168	9,958	12,833	11,050	58,200	58,250	13,008	10,798	13,763	11,890
52,250	52,300	11,342	9,132	11,918	10,224	55,250	55,300	12,182	9,972	12,848	11,064	58,250	58,300	13,022	10,812	13,778	11,904
52,300	52,350	11,356	9,146	11,934	10,238	55,300	55,350	12,196	9,986	12,864	11,078	58,300	58,350	13,036	10,826	13,794	11,918
52,350	52,400	11,370	9,160	11,949	10,252	55,350	55,400	12,210	10,000	12,879	11,092	58,350	58,400	13,050	10,840	13,809	11,932
52,400	52,450	11,384	9,174	11,965	10,266	55,400	55,450	12,224	10,014	12,895	11,106	58,400	58,450	13,064	10,854	13,825	11,946
52,450	52,500	11,398	9,188	11,980	10,280	55,450	55,500	12,238	10,028	12,910	11,120	58,450	58,500	13,078	10,868	13,840	11,960
52,500	52,550	11,412	9,202	11,996	10,294	55,500	55,550	12,252	10,042	12,926	11,134	58,500	58,550	13,092	10,882	13,856	11,974
52,550	52,600	11,426	9,216	12,011	10,308	55,550	55,600	12,266	10,056	12,941	11,148	58,550	58,600	13,106	10,896	13,871	11,988
52,600	52,650	11,440	9,230	12,027	10,322	55,600	55,650	12,280	10,070	12,957	11,162	58,600	58,650	13,120	10,910	13,887	12,002
52,650	52,700	11,454	9,244	12,042	10,336	55,650	55,700	12,294	10,084	12,972	11,176	58,650	58,700	13,134	10,924	13,902	12,016
52,700	52,750	11,468	9,258	12,058	10,350	55,700	55,750	12,308	10,098	12,988	11,190	58,700	58,750	13,148	10,938	13,918	12,030
52,750	52,800	11,482	9,272	12,073	10,364	55,750	55,800	12,322	10,112	13,003	11,204	58,750	58,800	13,162	10,952	13,933	12,044
52,800	52,850	11,496	9,286	12,089	10,378	55,800	55,850	12,336	10,126	13,019	11,218	58,800	58,850	13,176			

1998 Tax Table—Continued

If line 39 (taxable income) is—		And you are—				If line 39 (taxable income) is—		And you are—				If line 39 (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—			
59,000						62,000						65,000					
59,000	59,050	13,232	11,022	14,011	12,114	62,000	62,050	14,090	11,862	14,941	12,954	65,000	65,050	15,020	12,702	15,871	13,794
59,050	59,100	13,246	11,036	14,026	12,128	62,050	62,100	14,106	11,876	14,956	12,968	65,050	65,100	15,036	12,716	15,886	13,808
59,100	59,150	13,260	11,050	14,042	12,142	62,100	62,150	14,121	11,890	14,972	12,982	65,100	65,150	15,051	12,730	15,902	13,822
59,150	59,200	13,274	11,064	14,057	12,156	62,150	62,200	14,137	11,904	14,987	12,996	65,150	65,200	15,067	12,744	15,917	13,836
59,200	59,250	13,288	11,078	14,073	12,170	62,200	62,250	14,152	11,918	15,003	13,010	65,200	65,250	15,082	12,758	15,933	13,850
59,250	59,300	13,302	11,092	14,088	12,184	62,250	62,300	14,168	11,932	15,018	13,024	65,250	65,300	15,098	12,772	15,948	13,864
59,300	59,350	13,316	11,106	14,104	12,198	62,300	62,350	14,183	11,946	15,034	13,038	65,300	65,350	15,113	12,786	15,964	13,878
59,350	59,400	13,330	11,120	14,119	12,212	62,350	62,400	14,199	11,960	15,049	13,052	65,350	65,400	15,129	12,800	15,979	13,892
59,400	59,450	13,344	11,134	14,135	12,226	62,400	62,450	14,214	11,974	15,065	13,066	65,400	65,450	15,144	12,814	15,995	13,906
59,450	59,500	13,358	11,148	14,150	12,240	62,450	62,500	14,230	11,988	15,080	13,080	65,450	65,500	15,160	12,828	16,010	13,920
59,500	59,550	13,372	11,162	14,166	12,254	62,500	62,550	14,245	12,002	15,096	13,094	65,500	65,550	15,175	12,842	16,026	13,934
59,550	59,600	13,386	11,176	14,181	12,268	62,550	62,600	14,261	12,016	15,111	13,108	65,550	65,600	15,191	12,856	16,041	13,948
59,600	59,650	13,400	11,190	14,197	12,282	62,600	62,650	14,276	12,030	15,127	13,122	65,600	65,650	15,206	12,870	16,057	13,962
59,650	59,700	13,414	11,204	14,212	12,296	62,650	62,700	14,292	12,044	15,142	13,136	65,650	65,700	15,222	12,884	16,072	13,976
59,700	59,750	13,428	11,218	14,228	12,310	62,700	62,750	14,307	12,058	15,158	13,150	65,700	65,750	15,237	12,898	16,088	13,990
59,750	59,800	13,442	11,232	14,243	12,324	62,750	62,800	14,323	12,072	15,173	13,164	65,750	65,800	15,253	12,912	16,103	14,004
59,800	59,850	13,456	11,246	14,259	12,338	62,800	62,850	14,338	12,086	15,189	13,178	65,800	65,850	15,268	12,926	16,119	14,018
59,850	59,900	13,470	11,260	14,274	12,352	62,850	62,900	14,354	12,100	15,204	13,192	65,850	65,900	15,284	12,940	16,134	14,032
59,900	59,950	13,484	11,274	14,290	12,366	62,900	62,950	14,369	12,114	15,220	13,206	65,900	65,950	15,299	12,954	16,150	14,046
59,950	60,000	13,498	11,288	14,305	12,380	62,950	63,000	14,385	12,128	15,235	13,220	65,950	66,000	15,315	12,968	16,165	14,060
60,000						63,000						66,000					
60,000	60,050	13,512	11,302	14,321	12,394	63,000	63,050	14,400	12,142	15,251	13,234	66,000	66,050	15,330	12,982	16,181	14,074
60,050	60,100	13,526	11,316	14,336	12,408	63,050	63,100	14,416	12,156	15,266	13,248	66,050	66,100	15,346	12,996	16,196	14,088
60,100	60,150	13,540	11,330	14,352	12,422	63,100	63,150	14,431	12,170	15,282	13,262	66,100	66,150	15,361	13,010	16,212	14,102
60,150	60,200	13,554	11,344	14,367	12,436	63,150	63,200	14,447	12,184	15,297	13,276	66,150	66,200	15,377	13,024	16,227	14,116
60,200	60,250	13,568	11,358	14,383	12,450	63,200	63,250	14,462	12,198	15,313	13,290	66,200	66,250	15,392	13,038	16,243	14,130
60,250	60,300	13,582	11,372	14,398	12,464	63,250	63,300	14,478	12,212	15,328	13,304	66,250	66,300	15,408	13,052	16,258	14,144
60,300	60,350	13,596	11,386	14,414	12,478	63,300	63,350	14,493	12,226	15,344	13,318	66,300	66,350	15,423	13,066	16,274	14,158
60,350	60,400	13,610	11,400	14,429	12,492	63,350	63,400	14,509	12,240	15,359	13,332	66,350	66,400	15,439	13,080	16,289	14,172
60,400	60,450	13,624	11,414	14,445	12,506	63,400	63,450	14,524	12,254	15,375	13,346	66,400	66,450	15,454	13,094	16,305	14,186
60,450	60,500	13,638	11,428	14,460	12,520	63,450	63,500	14,540	12,268	15,390	13,360	66,450	66,500	15,470	13,108	16,320	14,200
60,500	60,550	13,652	11,442	14,476	12,534	63,500	63,550	14,555	12,282	15,406	13,374	66,500	66,550	15,485	13,122	16,336	14,214
60,550	60,600	13,666	11,456	14,491	12,548	63,550	63,600	14,571	12,296	15,421	13,388	66,550	66,600	15,501	13,136	16,351	14,228
60,600	60,650	13,680	11,470	14,507	12,562	63,600	63,650	14,586	12,310	15,437	13,402	66,600	66,650	15,516	13,150	16,367	14,242
60,650	60,700	13,694	11,484	14,522	12,576	63,650	63,700	14,602	12,324	15,452	13,416	66,650	66,700	15,532	13,164	16,382	14,256
60,700	60,750	13,708	11,498	14,538	12,590	63,700	63,750	14,617	12,338	15,468	13,430	66,700	66,750	15,547	13,178	16,398	14,270
60,750	60,800	13,722	11,512	14,553	12,604	63,750	63,800	14,633	12,352	15,483	13,444	66,750	66,800	15,563	13,192	16,413	14,284
60,800	60,850	13,736	11,526	14,569	12,618	63,800	63,850	14,648	12,366	15,499	13,458	66,800	66,850	15,578	13,206	16,429	14,298
60,850	60,900	13,750	11,540	14,584	12,632	63,850	63,900	14,664	12,380	15,514	13,472	66,850	66,900	15,594	13,220	16,444	14,312
60,900	60,950	13,764	11,554	14,600	12,646	63,900	63,950	14,679	12,394	15,530	13,486	66,900	66,950	15,609	13,234	16,460	14,326
60,950	61,000	13,778	11,568	14,615	12,660	63,950	64,000	14,695	12,408	15,545	13,500	66,950	67,000	15,625	13,248	16,475	14,340
61,000						64,000						67,000					
61,000	61,050	13,792	11,582	14,631	12,674	64,000	64,050	14,710	12,422	15,561	13,514	67,000	67,050	15,640	13,262	16,491	14,354
61,050	61,100	13,806	11,596	14,646	12,688	64,050	64,100	14,726	12,436	15,576	13,528	67,050	67,100	15,656	13,276	16,506	14,368
61,100	61,150	13,820	11,610	14,662	12,702	64,100	64,150	14,741	12,450	15,592	13,542	67,100	67,150	15,671	13,290	16,522	14,382
61,150	61,200	13,834	11,624	14,677	12,716	64,150	64,200	14,757	12,464	15,607	13,556	67,150	67,200	15,687	13,304	16,537	14,396
61,200	61,250	13,848	11,638	14,693	12,730	64,200	64,250	14,772	12,478	15,623	13,570	67,200	67,250	15,702	13,318	16,553	14,410
61,250	61,300	13,862	11,652	14,708	12,744	64,250	64,300	14,788	12,492	15,638	13,584	67,250	67,300	15,718	13,332	16,568	14,424
61,300	61,350	13,876	11,666	14,724	12,758	64,300	64,350	14,803	12,506	15,654	13,598	67,300	67,350	15,733	13,346	16,584	14,438
61,350	61,400	13,890	11,680	14,739	12,772	64,350	64,400	14,819	12,520	15,669	13,612	67,350	67,400	15,749	13,360	16,599	14,452
61,400	61,450	13,904	11,694	14,755	12,786	64,400	64,450	14,834	12,534	15,685	13,626	67,400	67,450	15,764	13,374	16,615	14,466
61,450	61,500	13,920	11,708	14,770	12,800	64,450	64,500	14,850	12,548	15,700	13,640	67,450	67,500	15,780	13,388	16,630	14,480
61,500	61,550	13,935	11,722	14,786	12,814	64,500	64,550	14,865	12,562	15,716	13,654	67,500	67,550	15,795	13,402	16,646	14,494
61,550	61,600	13,951	11,736	14,801	12,828	64,550	64,600	14,881	12,576	15,731	13,668	67,550	67,600	15,811	13,416	16,661	14,508
61,600	61,650	13,966	11,750	14,817	12,842	64,600	64,650	14,896	12,590	15,747	13,682	67,600	67,650	15,826	13,430	16,677	14,522
61,650	61,700	13,982	11,764	14,832	12,856	64,650	64,700	14,912	12,604	15,762	13,696	67,650	67,700	15,842	13,444	16,692	14,536
61,700	61,750	13,997	11,778	14,848	12,870	64,700	64,750	14,927	12,618	15,778	13,710	67,700	67,750	15,857	13,458	16,708	14,550
61,750	61,800	14,013	11,792	14,863	12,884	64,750	64,800	14,943	12,632	15,793	13,724	67,750	67,800	15,873	13,472	16,72	

1998 Tax Table—Continued

If line 39 (taxable income) is—		And you are—				If line 39 (taxable income) is—		And you are—				If line 39 (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	15,950	13,542	16,801	14,634	71,000	71,050	16,880	14,382	17,731	15,474	74,000	74,050	17,810	15,222	18,661	16,314
68,050	68,100	15,966	13,556	16,816	14,648	71,050	71,100	16,896	14,396	17,746	15,488	74,050	74,100	17,826	15,236	18,676	16,328
68,100	68,150	15,981	13,570	16,832	14,662	71,100	71,150	16,911	14,410	17,762	15,502	74,100	74,150	17,841	15,250	18,692	16,342
68,150	68,200	15,997	13,584	16,847	14,676	71,150	71,200	16,927	14,424	17,777	15,516	74,150	74,200	17,857	15,264	18,707	16,356
68,200	68,250	16,012	13,598	16,863	14,690	71,200	71,250	16,942	14,438	17,793	15,530	74,200	74,250	17,872	15,278	18,723	16,370
68,250	68,300	16,028	13,612	16,878	14,704	71,250	71,300	16,958	14,452	17,808	15,544	74,250	74,300	17,888	15,292	18,738	16,384
68,300	68,350	16,043	13,626	16,894	14,718	71,300	71,350	16,973	14,466	17,824	15,558	74,300	74,350	17,903	15,306	18,754	16,398
68,350	68,400	16,059	13,640	16,909	14,732	71,350	71,400	16,989	14,480	17,839	15,572	74,350	74,400	17,919	15,320	18,769	16,412
68,400	68,450	16,074	13,654	16,925	14,746	71,400	71,450	17,004	14,494	17,855	15,586	74,400	74,450	17,934	15,334	18,785	16,426
68,450	68,500	16,090	13,668	16,940	14,760	71,450	71,500	17,020	14,508	17,870	15,600	74,450	74,500	17,950	15,348	18,800	16,440
68,500	68,550	16,105	13,682	16,956	14,774	71,500	71,550	17,035	14,522	17,886	15,614	74,500	74,550	17,965	15,362	18,816	16,454
68,550	68,600	16,121	13,696	16,971	14,788	71,550	71,600	17,051	14,536	17,901	15,628	74,550	74,600	17,981	15,376	18,831	16,468
68,600	68,650	16,136	13,710	16,987	14,802	71,600	71,650	17,066	14,550	17,917	15,642	74,600	74,650	17,996	15,390	18,847	16,482
68,650	68,700	16,152	13,724	17,002	14,816	71,650	71,700	17,082	14,564	17,932	15,656	74,650	74,700	18,012	15,404	18,862	16,496
68,700	68,750	16,167	13,738	17,018	14,830	71,700	71,750	17,097	14,578	17,948	15,670	74,700	74,750	18,027	15,418	18,878	16,510
68,750	68,800	16,183	13,752	17,033	14,844	71,750	71,800	17,113	14,592	17,963	15,684	74,750	74,800	18,043	15,432	18,893	16,524
68,800	68,850	16,198	13,766	17,049	14,858	71,800	71,850	17,128	14,606	17,979	15,698	74,800	74,850	18,058	15,446	18,909	16,538
68,850	68,900	16,214	13,780	17,064	14,872	71,850	71,900	17,144	14,620	17,994	15,712	74,850	74,900	18,074	15,460	18,924	16,552
68,900	68,950	16,229	13,794	17,080	14,886	71,900	71,950	17,159	14,634	18,010	15,726	74,900	74,950	18,089	15,474	18,940	16,566
68,950	69,000	16,245	13,808	17,095	14,900	71,950	72,000	17,175	14,648	18,025	15,740	74,950	75,000	18,105	15,488	18,955	16,580
69,000						72,000						75,000					
69,000	69,050	16,260	13,822	17,111	14,914	72,000	72,050	17,190	14,662	18,041	15,754	75,000	75,050	18,120	15,502	18,971	16,594
69,050	69,100	16,276	13,836	17,126	14,928	72,050	72,100	17,206	14,676	18,056	15,768	75,050	75,100	18,136	15,516	18,986	16,608
69,100	69,150	16,291	13,850	17,142	14,942	72,100	72,150	17,221	14,690	18,072	15,782	75,100	75,150	18,151	15,530	19,002	16,622
69,150	69,200	16,307	13,864	17,157	14,956	72,150	72,200	17,237	14,704	18,087	15,796	75,150	75,200	18,167	15,544	19,017	16,636
69,200	69,250	16,322	13,878	17,173	14,970	72,200	72,250	17,252	14,718	18,103	15,810	75,200	75,250	18,182	15,558	19,033	16,650
69,250	69,300	16,338	13,892	17,188	14,984	72,250	72,300	17,268	14,732	18,118	15,824	75,250	75,300	18,198	15,572	19,048	16,664
69,300	69,350	16,353	13,906	17,204	14,998	72,300	72,350	17,283	14,746	18,134	15,838	75,300	75,350	18,213	15,586	19,064	16,678
69,350	69,400	16,369	13,920	17,219	15,012	72,350	72,400	17,299	14,760	18,149	15,852	75,350	75,400	18,229	15,600	19,079	16,692
69,400	69,450	16,384	13,934	17,235	15,026	72,400	72,450	17,314	14,774	18,165	15,866	75,400	75,450	18,244	15,614	19,095	16,706
69,450	69,500	16,400	13,948	17,250	15,040	72,450	72,500	17,330	14,788	18,180	15,880	75,450	75,500	18,260	15,628	19,110	16,720
69,500	69,550	16,415	13,962	17,266	15,054	72,500	72,550	17,345	14,802	18,196	15,894	75,500	75,550	18,275	15,642	19,126	16,734
69,550	69,600	16,431	13,976	17,281	15,068	72,550	72,600	17,361	14,816	18,211	15,908	75,550	75,600	18,291	15,656	19,141	16,748
69,600	69,650	16,446	13,990	17,297	15,082	72,600	72,650	17,376	14,830	18,227	15,922	75,600	75,650	18,306	15,670	19,157	16,762
69,650	69,700	16,462	14,004	17,312	15,096	72,650	72,700	17,392	14,844	18,242	15,936	75,650	75,700	18,322	15,684	19,172	16,776
69,700	69,750	16,477	14,018	17,328	15,110	72,700	72,750	17,407	14,858	18,258	15,950	75,700	75,750	18,337	15,698	19,188	16,790
69,750	69,800	16,493	14,032	17,343	15,124	72,750	72,800	17,423	14,872	18,273	15,964	75,750	75,800	18,353	15,712	19,203	16,804
69,800	69,850	16,508	14,046	17,359	15,138	72,800	72,850	17,438	14,886	18,289	15,978	75,800	75,850	18,368	15,726	19,219	16,818
69,850	69,900	16,524	14,060	17,374	15,152	72,850	72,900	17,454	14,900	18,304	15,992	75,850	75,900	18,384	15,740	19,234	16,832
69,900	69,950	16,539	14,074	17,390	15,166	72,900	72,950	17,469	14,914	18,320	16,006	75,900	75,950	18,399	15,754	19,250	16,846
69,950	70,000	16,555	14,088	17,405	15,180	72,950	73,000	17,485	14,928	18,335	16,020	75,950	76,000	18,415	15,768	19,265	16,860
70,000						73,000						76,000					
70,000	70,050	16,570	14,102	17,421	15,194	73,000	73,050	17,500	14,942	18,351	16,034	76,000	76,050	18,430	15,782	19,281	16,874
70,050	70,100	16,586	14,116	17,436	15,208	73,050	73,100	17,516	14,956	18,366	16,048	76,050	76,100	18,446	15,796	19,296	16,888
70,100	70,150	16,601	14,130	17,452	15,222	73,100	73,150	17,531	14,970	18,382	16,062	76,100	76,150	18,461	15,810	19,312	16,902
70,150	70,200	16,617	14,144	17,467	15,236	73,150	73,200	17,547	14,984	18,397	16,076	76,150	76,200	18,477	15,824	19,327	16,916
70,200	70,250	16,632	14,158	17,483	15,250	73,200	73,250	17,562	14,998	18,413	16,090	76,200	76,250	18,492	15,838	19,343	16,930
70,250	70,300	16,648	14,172	17,498	15,264	73,250	73,300	17,578	15,012	18,428	16,104	76,250	76,300	18,508	15,852	19,358	16,944
70,300	70,350	16,663	14,186	17,514	15,278	73,300	73,350	17,593	15,026	18,444	16,118	76,300	76,350	18,523	15,866	19,374	16,958
70,350	70,400	16,679	14,200	17,529	15,292	73,350	73,400	17,609	15,040	18,459	16,132	76,350	76,400	18,539	15,880	19,389	16,972
70,400	70,450	16,694	14,214	17,545	15,306	73,400	73,450	17,624	15,054	18,475	16,146	76,400	76,450	18,554	15,894	19,405	16,986
70,450	70,500	16,710	14,228	17,560	15,320	73,450	73,500	17,640	15,068	18,490	16,160	76,450	76,500	18,570	15,908	19,420	17,000
70,500	70,550	16,725	14,242	17,576	15,334	73,500	73,550	17,655	15,082	18,506	16,174	76,500	76,550	18,585	15,922	19,436	17,014
70,550	70,600	16,741	14,256	17,591	15,348	73,550	73,600	17,671	15,096	18,521	16,188	76,550	76,600	18,601	15,936	19,451	17,028
70,600	70,650	16,756	14,270	17,607	15,362	73,600	73,650	17,686	15,110	18,537	16,202	76,600	76,650	18,616	15,950	19,467	17,042
70,650	70,700	16,772	14,284	17,622	15,376	73,650	73,700	17,702	15,124	18,552	16,216	76,650	76,700	18,632	15,964	19,482	17,056
70,700	70,750	16,787	14,298	17,638	15,390	73,700	73,750	17,717	15,138	18,568	16,230	76,700	76,750	18,647	15,978	19,498	17,070
70,750	70,800	16,803	14,312	17,653	15,404	73,750	73,800	17,733	15,152	18,583	16,244	76,750	76,800	18,663	15,992	19,513	17,084

1998 Tax Table—Continued

If line 39 (taxable income) is—		And you are—				If line 39 (taxable income) is—		And you are—				If line 39 (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—			
77,000						80,000						83,000					
77,000	77,050	18,740	16,062	19,591	17,154	80,000	80,050	19,670	16,902	20,623	17,994	83,000	83,050	20,600	17,742	21,703	18,834
77,050	77,100	18,756	16,076	19,606	17,168	80,050	80,100	19,686	16,916	20,641	18,008	83,050	83,100	20,616	17,756	21,721	18,848
77,100	77,150	18,771	16,090	19,622	17,182	80,100	80,150	19,701	16,930	20,659	18,022	83,100	83,150	20,631	17,770	21,739	18,862
77,150	77,200	18,787	16,104	19,637	17,196	80,150	80,200	19,717	16,944	20,677	18,036	83,150	83,200	20,647	17,784	21,757	18,876
77,200	77,250	18,802	16,118	19,653	17,210	80,200	80,250	19,732	16,958	20,695	18,050	83,200	83,250	20,662	17,798	21,775	18,890
77,250	77,300	18,818	16,132	19,668	17,224	80,250	80,300	19,748	16,972	20,713	18,064	83,250	83,300	20,678	17,812	21,793	18,904
77,300	77,350	18,833	16,146	19,684	17,238	80,300	80,350	19,763	16,986	20,731	18,078	83,300	83,350	20,693	17,826	21,811	18,918
77,350	77,400	18,849	16,160	19,699	17,252	80,350	80,400	19,779	17,000	20,749	18,092	83,350	83,400	20,709	17,840	21,829	18,932
77,400	77,450	18,864	16,174	19,715	17,266	80,400	80,450	19,794	17,014	20,767	18,106	83,400	83,450	20,724	17,854	21,847	18,946
77,450	77,500	18,880	16,188	19,730	17,280	80,450	80,500	19,810	17,028	20,785	18,120	83,450	83,500	20,740	17,868	21,865	18,960
77,500	77,550	18,895	16,202	19,746	17,294	80,500	80,550	19,825	17,042	20,803	18,134	83,500	83,550	20,755	17,882	21,883	18,974
77,550	77,600	18,911	16,216	19,761	17,308	80,550	80,600	19,841	17,056	20,821	18,148	83,550	83,600	20,771	17,896	21,901	18,988
77,600	77,650	18,926	16,230	19,777	17,322	80,600	80,650	19,856	17,070	20,839	18,162	83,600	83,650	20,786	17,910	21,919	19,002
77,650	77,700	18,942	16,244	19,792	17,336	80,650	80,700	19,872	17,084	20,857	18,176	83,650	83,700	20,802	17,924	21,937	19,016
77,700	77,750	18,957	16,258	19,808	17,350	80,700	80,750	19,887	17,098	20,875	18,190	83,700	83,750	20,817	17,938	21,955	19,030
77,750	77,800	18,973	16,272	19,823	17,364	80,750	80,800	19,903	17,112	20,893	18,204	83,750	83,800	20,833	17,952	21,973	19,044
77,800	77,850	18,988	16,286	19,839	17,378	80,800	80,850	19,918	17,126	20,911	18,218	83,800	83,850	20,848	17,966	21,991	19,058
77,850	77,900	19,004	16,300	19,854	17,392	80,850	80,900	19,934	17,140	20,929	18,232	83,850	83,900	20,864	17,980	22,009	19,072
77,900	77,950	19,019	16,314	19,870	17,406	80,900	80,950	19,949	17,154	20,947	18,246	83,900	83,950	20,879	17,994	22,027	19,086
77,950	78,000	19,035	16,328	19,885	17,420	80,950	81,000	19,965	17,168	20,965	18,260	83,950	84,000	20,895	18,008	22,045	19,100
78,000						81,000						84,000					
78,000	78,050	19,050	16,342	19,903	17,434	81,000	81,050	19,980	17,182	20,983	18,274	84,000	84,050	20,910	18,022	22,063	19,114
78,050	78,100	19,066	16,356	19,921	17,448	81,050	81,100	19,996	17,196	21,001	18,288	84,050	84,100	20,926	18,036	22,081	19,128
78,100	78,150	19,081	16,370	19,939	17,462	81,100	81,150	20,011	17,210	21,019	18,302	84,100	84,150	20,941	18,050	22,099	19,142
78,150	78,200	19,097	16,384	19,957	17,476	81,150	81,200	20,027	17,224	21,037	18,316	84,150	84,200	20,957	18,064	22,117	19,156
78,200	78,250	19,112	16,398	19,975	17,490	81,200	81,250	20,042	17,238	21,055	18,330	84,200	84,250	20,972	18,078	22,135	19,170
78,250	78,300	19,128	16,412	19,993	17,504	81,250	81,300	20,058	17,252	21,073	18,344	84,250	84,300	20,988	18,092	22,153	19,184
78,300	78,350	19,143	16,426	20,011	17,518	81,300	81,350	20,073	17,266	21,091	18,358	84,300	84,350	21,003	18,106	22,171	19,198
78,350	78,400	19,159	16,440	20,029	17,532	81,350	81,400	20,089	17,280	21,109	18,372	84,350	84,400	21,019	18,120	22,189	19,212
78,400	78,450	19,174	16,454	20,047	17,546	81,400	81,450	20,104	17,294	21,127	18,386	84,400	84,450	21,034	18,134	22,207	19,226
78,450	78,500	19,190	16,468	20,065	17,560	81,450	81,500	20,120	17,308	21,145	18,400	84,450	84,500	21,050	18,148	22,225	19,240
78,500	78,550	19,205	16,482	20,083	17,574	81,500	81,550	20,135	17,322	21,163	18,414	84,500	84,550	21,065	18,162	22,243	19,254
78,550	78,600	19,221	16,496	20,101	17,588	81,550	81,600	20,151	17,336	21,181	18,428	84,550	84,600	21,081	18,176	22,261	19,268
78,600	78,650	19,236	16,510	20,119	17,602	81,600	81,650	20,166	17,350	21,199	18,442	84,600	84,650	21,096	18,190	22,279	19,282
78,650	78,700	19,252	16,524	20,137	17,616	81,650	81,700	20,182	17,364	21,217	18,456	84,650	84,700	21,112	18,204	22,297	19,296
78,700	78,750	19,267	16,538	20,155	17,630	81,700	81,750	20,197	17,378	21,235	18,470	84,700	84,750	21,127	18,218	22,315	19,310
78,750	78,800	19,283	16,552	20,173	17,644	81,750	81,800	20,213	17,392	21,253	18,484	84,750	84,800	21,143	18,232	22,333	19,324
78,800	78,850	19,298	16,566	20,191	17,658	81,800	81,850	20,228	17,406	21,271	18,498	84,800	84,850	21,158	18,246	22,351	19,338
78,850	78,900	19,314	16,580	20,209	17,672	81,850	81,900	20,244	17,420	21,289	18,512	84,850	84,900	21,174	18,260	22,369	19,352
78,900	78,950	19,329	16,594	20,227	17,686	81,900	81,950	20,259	17,434	21,307	18,526	84,900	84,950	21,189	18,274	22,387	19,366
78,950	79,000	19,345	16,608	20,245	17,700	81,950	82,000	20,275	17,448	21,325	18,540	84,950	85,000	21,205	18,288	22,405	19,380
79,000						82,000						85,000					
79,000	79,050	19,360	16,622	20,263	17,714	82,000	82,050	20,290	17,462	21,343	18,554	85,000	85,050	21,220	18,302	22,423	19,394
79,050	79,100	19,376	16,636	20,281	17,728	82,050	82,100	20,306	17,476	21,361	18,568	85,050	85,100	21,236	18,316	22,441	19,408
79,100	79,150	19,391	16,650	20,299	17,742	82,100	82,150	20,321	17,490	21,379	18,582	85,100	85,150	21,251	18,330	22,459	19,422
79,150	79,200	19,407	16,664	20,317	17,756	82,150	82,200	20,337	17,504	21,397	18,596	85,150	85,200	21,267	18,344	22,477	19,436
79,200	79,250	19,422	16,678	20,335	17,770	82,200	82,250	20,352	17,518	21,415	18,610	85,200	85,250	21,282	18,358	22,495	19,450
79,250	79,300	19,438	16,692	20,353	17,784	82,250	82,300	20,368	17,532	21,433	18,624	85,250	85,300	21,298	18,372	22,513	19,464
79,300	79,350	19,453	16,706	20,371	17,798	82,300	82,350	20,383	17,546	21,451	18,638	85,300	85,350	21,313	18,386	22,531	19,478
79,350	79,400	19,469	16,720	20,389	17,812	82,350	82,400	20,399	17,560	21,469	18,652	85,350	85,400	21,329	18,400	22,549	19,492
79,400	79,450	19,484	16,734	20,407	17,826	82,400	82,450	20,414	17,574	21,487	18,666	85,400	85,450	21,344	18,414	22,567	19,506
79,450	79,500	19,500	16,748	20,425	17,840	82,450	82,500	20,430	17,588	21,505	18,680	85,450	85,500	21,360	18,428	22,585	19,520
79,500	79,550	19,515	16,762	20,443	17,854	82,500	82,550	20,445	17,602	21,523	18,694	85,500	85,550	21,375	18,442	22,603	19,534
79,550	79,600	19,531	16,776	20,461	17,868	82,550	82,600	20,461	17,616	21,541	18,708	85,550	85,600	21,391	18,456	22,621	19,548
79,600	79,650	19,546	16,790	20,479	17,882	82,600	82,650	20,476	17,630	21,559	18,722	85,600	85,650	21,406	18,470	22,639	19,562
79,650	79,700	19,562	16,804	20,497	17,896	82,650	82,700	20,492	17,644	21,577	18,736	85,650	85,700	21,422	18,484	22,657	19,576
79,700	79,750	19,577	16,818	20,515	17,910	82,700	82,750	20,507	17,658	21,595	18,750	85,700	85,750	21,437	18,498	22,675	19,590
79,750	79,800	19,593	16,832	20,533	17,924	82,750	82,800	20,523	17,672	21,613	18,764	85,750	85,800	21,453	18,512	22,693	19,604
79,800	79,850	19,608</															

1998 Tax Table—Continued

If line 39 (taxable income) is—		And you are—				If line 39 (taxable income) is—		And you are—				If line 39 (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	21,530	18,582	22,783	19,674	89,000	89,050	22,460	19,422	23,863	20,553	92,000	92,050	23,390	20,262	24,943	21,483
86,050	86,100	21,546	18,596	22,801	19,688	89,050	89,100	22,476	19,436	23,881	20,569	92,050	92,100	23,406	20,276	24,961	21,499
86,100	86,150	21,561	18,610	22,819	19,702	89,100	89,150	22,491	19,450	23,899	20,584	92,100	92,150	23,421	20,290	24,979	21,514
86,150	86,200	21,577	18,624	22,837	19,716	89,150	89,200	22,507	19,464	23,917	20,600	92,150	92,200	23,437	20,304	24,997	21,530
86,200	86,250	21,592	18,638	22,855	19,730	89,200	89,250	22,522	19,478	23,935	20,615	92,200	92,250	23,452	20,318	25,015	21,545
86,250	86,300	21,608	18,652	22,873	19,744	89,250	89,300	22,538	19,492	23,953	20,631	92,250	92,300	23,468	20,332	25,033	21,561
86,300	86,350	21,623	18,666	22,891	19,758	89,300	89,350	22,553	19,506	23,971	20,646	92,300	92,350	23,483	20,346	25,051	21,576
86,350	86,400	21,639	18,680	22,909	19,772	89,350	89,400	22,569	19,520	23,989	20,662	92,350	92,400	23,499	20,360	25,069	21,592
86,400	86,450	21,654	18,694	22,927	19,786	89,400	89,450	22,584	19,534	24,007	20,677	92,400	92,450	23,514	20,374	25,087	21,607
86,450	86,500	21,670	18,708	22,945	19,800	89,450	89,500	22,600	19,548	24,025	20,693	92,450	92,500	23,530	20,388	25,105	21,623
86,500	86,550	21,685	18,722	22,963	19,814	89,500	89,550	22,615	19,562	24,043	20,708	92,500	92,550	23,545	20,402	25,123	21,638
86,550	86,600	21,701	18,736	22,981	19,828	89,550	89,600	22,631	19,576	24,061	20,724	92,550	92,600	23,561	20,416	25,141	21,654
86,600	86,650	21,716	18,750	22,999	19,842	89,600	89,650	22,646	19,590	24,079	20,739	92,600	92,650	23,576	20,430	25,159	21,669
86,650	86,700	21,732	18,764	23,017	19,856	89,650	89,700	22,662	19,604	24,097	20,755	92,650	92,700	23,592	20,444	25,177	21,685
86,700	86,750	21,747	18,778	23,035	19,870	89,700	89,750	22,677	19,618	24,115	20,770	92,700	92,750	23,607	20,458	25,195	21,700
86,750	86,800	21,763	18,792	23,053	19,884	89,750	89,800	22,693	19,632	24,133	20,786	92,750	92,800	23,623	20,472	25,213	21,716
86,800	86,850	21,778	18,806	23,071	19,898	89,800	89,850	22,708	19,646	24,151	20,801	92,800	92,850	23,638	20,486	25,231	21,731
86,850	86,900	21,794	18,820	23,089	19,912	89,850	89,900	22,724	19,660	24,169	20,817	92,850	92,900	23,654	20,500	25,249	21,747
86,900	86,950	21,809	18,834	23,107	19,926	89,900	89,950	22,739	19,674	24,187	20,832	92,900	92,950	23,669	20,514	25,267	21,762
86,950	87,000	21,825	18,848	23,125	19,940	89,950	90,000	22,755	19,688	24,205	20,848	92,950	93,000	23,685	20,528	25,285	21,778
87,000						90,000						93,000					
87,000	87,050	21,840	18,862	23,143	19,954	90,000	90,050	22,770	19,702	24,223	20,863	93,000	93,050	23,700	20,542	25,303	21,793
87,050	87,100	21,856	18,876	23,161	19,968	90,050	90,100	22,786	19,716	24,241	20,879	93,050	93,100	23,716	20,556	25,321	21,809
87,100	87,150	21,871	18,890	23,179	19,982	90,100	90,150	22,801	19,730	24,259	20,894	93,100	93,150	23,731	20,570	25,339	21,824
87,150	87,200	21,887	18,904	23,197	19,996	90,150	90,200	22,817	19,744	24,277	20,910	93,150	93,200	23,747	20,584	25,357	21,840
87,200	87,250	21,902	18,918	23,215	20,010	90,200	90,250	22,832	19,758	24,295	20,925	93,200	93,250	23,762	20,598	25,375	21,855
87,250	87,300	21,918	18,932	23,233	20,024	90,250	90,300	22,848	19,772	24,313	20,941	93,250	93,300	23,778	20,612	25,393	21,871
87,300	87,350	21,933	18,946	23,251	20,038	90,300	90,350	22,863	19,786	24,331	20,956	93,300	93,350	23,793	20,626	25,411	21,886
87,350	87,400	21,949	18,960	23,269	20,052	90,350	90,400	22,879	19,800	24,349	20,972	93,350	93,400	23,809	20,640	25,429	21,902
87,400	87,450	21,964	18,974	23,287	20,066	90,400	90,450	22,894	19,814	24,367	20,987	93,400	93,450	23,824	20,654	25,447	21,917
87,450	87,500	21,980	18,988	23,305	20,080	90,450	90,500	22,910	19,828	24,385	21,003	93,450	93,500	23,840	20,668	25,465	21,933
87,500	87,550	21,995	19,002	23,323	20,094	90,500	90,550	22,925	19,842	24,403	21,018	93,500	93,550	23,855	20,682	25,483	21,948
87,550	87,600	22,011	19,016	23,341	20,108	90,550	90,600	22,941	19,856	24,421	21,034	93,550	93,600	23,871	20,696	25,501	21,964
87,600	87,650	22,026	19,030	23,359	20,122	90,600	90,650	22,956	19,870	24,439	21,049	93,600	93,650	23,886	20,710	25,519	21,979
87,650	87,700	22,042	19,044	23,377	20,136	90,650	90,700	22,972	19,884	24,457	21,065	93,650	93,700	23,902	20,724	25,537	21,995
87,700	87,750	22,057	19,058	23,395	20,150	90,700	90,750	22,987	19,898	24,475	21,080	93,700	93,750	23,917	20,738	25,555	22,010
87,750	87,800	22,073	19,072	23,413	20,166	90,750	90,800	23,003	19,912	24,493	21,096	93,750	93,800	23,933	20,752	25,573	22,026
87,800	87,850	22,088	19,086	23,431	20,181	90,800	90,850	23,018	19,926	24,511	21,111	93,800	93,850	23,948	20,766	25,591	22,041
87,850	87,900	22,104	19,100	23,449	20,197	90,850	90,900	23,034	19,940	24,529	21,127	93,850	93,900	23,964	20,780	25,609	22,057
87,900	87,950	22,119	19,114	23,467	20,212	90,900	90,950	23,049	19,954	24,547	21,142	93,900	93,950	23,979	20,794	25,627	22,072
87,950	88,000	22,135	19,128	23,485	20,228	90,950	91,000	23,065	19,968	24,565	21,158	93,950	94,000	23,995	20,808	25,645	22,088
88,000						91,000						94,000					
88,000	88,050	22,150	19,142	23,503	20,243	91,000	91,050	23,080	19,982	24,583	21,173	94,000	94,050	24,010	20,822	25,663	22,103
88,050	88,100	22,166	19,156	23,521	20,259	91,050	91,100	23,096	19,996	24,601	21,189	94,050	94,100	24,026	20,836	25,681	22,119
88,100	88,150	22,181	19,170	23,539	20,274	91,100	91,150	23,111	20,010	24,619	21,204	94,100	94,150	24,041	20,850	25,699	22,134
88,150	88,200	22,197	19,184	23,557	20,290	91,150	91,200	23,127	20,024	24,637	21,220	94,150	94,200	24,057	20,864	25,717	22,150
88,200	88,250	22,212	19,198	23,575	20,305	91,200	91,250	23,142	20,038	24,655	21,235	94,200	94,250	24,072	20,878	25,735	22,165
88,250	88,300	22,228	19,212	23,593	20,321	91,250	91,300	23,158	20,052	24,673	21,251	94,250	94,300	24,088	20,892	25,753	22,181
88,300	88,350	22,243	19,226	23,611	20,336	91,300	91,350	23,173	20,066	24,691	21,266	94,300	94,350	24,103	20,906	25,771	22,196
88,350	88,400	22,259	19,240	23,629	20,352	91,350	91,400	23,189	20,080	24,709	21,282	94,350	94,400	24,119	20,920	25,789	22,212
88,400	88,450	22,274	19,254	23,647	20,367	91,400	91,450	23,204	20,094	24,727	21,297	94,400	94,450	24,134	20,934	25,807	22,227
88,450	88,500	22,290	19,268	23,665	20,383	91,450	91,500	23,220	20,108	24,745	21,313	94,450	94,500	24,150	20,948	25,825	22,243
88,500	88,550	22,305	19,282	23,683	20,398	91,500	91,550	23,235	20,122	24,763	21,328	94,500	94,550	24,165	20,962	25,843	22,258
88,550	88,600	22,321	19,296	23,701	20,414	91,550	91,600	23,251	20,136	24,781	21,344	94,550	94,600	24,181	20,976	25,861	22,274
88,600	88,650	22,336	19,310	23,719	20,429	91,600	91,650	23,266	20,150	24,799	21,359	94,600	94,650	24,196	20,990	25,879	22,289
88,650	88,700	22,352	19,324	23,737	20,445	91,650	91,700	23,282	20,164	24,817	21,375	94,650	94,700	24,212	21,004	25,897	22,305
88,700	88,750	22,367	19,338	23,755	20,460	91,700	91,750	23,297	20,178	24,835	21,390	94,700	94,750	24,227	21,018	25,915	22,320
88,750	88,800	22,383	19,352	23,773	20,476	91,750	91,800	23,313	20,192	24,853	21,406	94,750	94,800	24,243	21,032	25,933	22,336
88,800	88,850	22,398</															

1998 Tax Table—Continued

If line 39 (taxable income) is—		And you are—				If line 39 (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	24,320	21,102	26,023	22,413	98,000	98,050	25,250	21,942	27,103	23,343
95,050	95,100	24,336	21,116	26,041	22,429	98,050	98,100	25,266	21,956	27,121	23,359
95,100	95,150	24,351	21,130	26,059	22,444	98,100	98,150	25,281	21,970	27,139	23,374
95,150	95,200	24,367	21,144	26,077	22,460	98,150	98,200	25,297	21,984	27,157	23,390
95,200	95,250	24,382	21,158	26,095	22,475	98,200	98,250	25,312	21,998	27,175	23,405
95,250	95,300	24,398	21,172	26,113	22,491	98,250	98,300	25,328	22,012	27,193	23,421
95,300	95,350	24,413	21,186	26,131	22,506	98,300	98,350	25,343	22,026	27,211	23,436
95,350	95,400	24,429	21,200	26,149	22,522	98,350	98,400	25,359	22,040	27,229	23,452
95,400	95,450	24,444	21,214	26,167	22,537	98,400	98,450	25,374	22,054	27,247	23,467
95,450	95,500	24,460	21,228	26,185	22,553	98,450	98,500	25,390	22,068	27,265	23,483
95,500	95,550	24,475	21,242	26,203	22,568	98,500	98,550	25,405	22,082	27,283	23,498
95,550	95,600	24,491	21,256	26,221	22,584	98,550	98,600	25,421	22,096	27,301	23,514
95,600	95,650	24,506	21,270	26,239	22,599	98,600	98,650	25,436	22,110	27,319	23,529
95,650	95,700	24,522	21,284	26,257	22,615	98,650	98,700	25,452	22,124	27,337	23,545
95,700	95,750	24,537	21,298	26,275	22,630	98,700	98,750	25,467	22,138	27,355	23,560
95,750	95,800	24,553	21,312	26,293	22,646	98,750	98,800	25,483	22,152	27,373	23,576
95,800	95,850	24,568	21,326	26,311	22,661	98,800	98,850	25,498	22,166	27,391	23,591
95,850	95,900	24,584	21,340	26,329	22,677	98,850	98,900	25,514	22,180	27,409	23,607
95,900	95,950	24,599	21,354	26,347	22,692	98,900	98,950	25,529	22,194	27,427	23,622
95,950	96,000	24,615	21,368	26,365	22,708	98,950	99,000	25,545	22,208	27,445	23,638
96,000						99,000					
96,000	96,050	24,630	21,382	26,383	22,723	99,000	99,050	25,560	22,222	27,463	23,653
96,050	96,100	24,646	21,396	26,401	22,739	99,050	99,100	25,576	22,236	27,481	23,669
96,100	96,150	24,661	21,410	26,419	22,754	99,100	99,150	25,591	22,250	27,499	23,684
96,150	96,200	24,677	21,424	26,437	22,770	99,150	99,200	25,607	22,264	27,517	23,700
96,200	96,250	24,692	21,438	26,455	22,785	99,200	99,250	25,622	22,278	27,535	23,715
96,250	96,300	24,708	21,452	26,473	22,801	99,250	99,300	25,638	22,292	27,553	23,731
96,300	96,350	24,723	21,466	26,491	22,816	99,300	99,350	25,653	22,306	27,571	23,746
96,350	96,400	24,739	21,480	26,509	22,832	99,350	99,400	25,669	22,320	27,589	23,762
96,400	96,450	24,754	21,494	26,527	22,847	99,400	99,450	25,684	22,334	27,607	23,777
96,450	96,500	24,770	21,508	26,545	22,863	99,450	99,500	25,700	22,348	27,625	23,793
96,500	96,550	24,785	21,522	26,563	22,878	99,500	99,550	25,715	22,362	27,643	23,808
96,550	96,600	24,801	21,536	26,581	22,894	99,550	99,600	25,731	22,376	27,661	23,824
96,600	96,650	24,816	21,550	26,599	22,909	99,600	99,650	25,746	22,390	27,679	23,839
96,650	96,700	24,832	21,564	26,617	22,925	99,650	99,700	25,762	22,404	27,697	23,855
96,700	96,750	24,847	21,578	26,635	22,940	99,700	99,750	25,777	22,418	27,715	23,870
96,750	96,800	24,863	21,592	26,653	22,956	99,750	99,800	25,793	22,432	27,733	23,886
96,800	96,850	24,878	21,606	26,671	22,971	99,800	99,850	25,808	22,446	27,751	23,901
96,850	96,900	24,894	21,620	26,689	22,987	99,850	99,900	25,824	22,460	27,769	23,917
96,900	96,950	24,909	21,634	26,707	23,002	99,900	99,950	25,839	22,474	27,787	23,932
96,950	97,000	24,925	21,648	26,725	23,018	99,950	100,000	25,855	22,488	27,805	23,948
97,000						<div style="border: 1px solid black; border-radius: 50%; padding: 20px; width: fit-content; margin: auto;"> <p>\$100,000 or over — use the Tax Rate Schedules on page 64</p> </div>					
97,000	97,050	24,940	21,662	26,743	23,033						
97,050	97,100	24,956	21,676	26,761	23,049						
97,100	97,150	24,971	21,690	26,779	23,064						
97,150	97,200	24,987	21,704	26,797	23,080						
97,200	97,250	25,002	21,718	26,815	23,095						
97,250	97,300	25,018	21,732	26,833	23,111						
97,300	97,350	25,033	21,746	26,851	23,126						
97,350	97,400	25,049	21,760	26,869	23,142						
97,400	97,450	25,064	21,774	26,887	23,157						
97,450	97,500	25,080	21,788	26,905	23,173						
97,500	97,550	25,095	21,802	26,923	23,188						
97,550	97,600	25,111	21,816	26,941	23,204						
97,600	97,650	25,126	21,830	26,959	23,219						
97,650	97,700	25,142	21,844	26,977	23,235						
97,700	97,750	25,157	21,858	26,995	23,250						
97,750	97,800	25,173	21,872	27,013	23,266						
97,800	97,850	25,188	21,886	27,031	23,281						
97,850	97,900	25,204	21,900	27,049	23,297						
97,900	97,950	25,219	21,914	27,067	23,312						
97,950	98,000	25,235	21,928	27,085	23,328						

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

1998 Tax Rate Schedules

Caution: Use **only** if your taxable income (Form 1040, line 39) 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 39, is: <i>Over—</i>	<i>But not over—</i>	Enter on Form 1040, line 40	<i>of the amount over—</i>
\$0	\$25,350	..... 15%	\$0
25,350	61,400	\$3,802.50 + 28%	25,350
61,400	128,100	13,896.50 + 31%	61,400
128,100	278,450	34,573.50 + 36%	128,100
278,450	.....	88,699.50 + 39.6%	278,450

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

If the amount on Form 1040, line 39, is: <i>Over—</i>	<i>But not over—</i>	Enter on Form 1040, line 40	<i>of the amount over—</i>
\$0	\$42,350	..... 15%	\$0
42,350	102,300	\$6,352.50 + 28%	42,350
102,300	155,950	23,138.50 + 31%	102,300
155,950	278,450	39,770.00 + 36%	155,950
278,450	.....	83,870.00 + 39.6%	278,450

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

If the amount on Form 1040, line 39, is: <i>Over—</i>	<i>But not over—</i>	Enter on Form 1040, line 40	<i>of the amount over—</i>
\$0	\$21,175	..... 15%	\$0
21,175	51,150	\$3,176.25 + 28%	21,175
51,150	77,975	11,569.25 + 31%	51,150
77,975	139,225	19,885.00 + 36%	77,975
139,225	.....	41,935.00 + 39.6%	139,225

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

If the amount on Form 1040, line 39, is: <i>Over—</i>	<i>But not over—</i>	Enter on Form 1040, line 40	<i>of the amount over—</i>
\$0	\$33,950	..... 15%	\$0
33,950	87,700	\$5,092.50 + 28%	33,950
87,700	142,000	20,142.50 + 31%	87,700
142,000	278,450	36,975.50 + 36%	142,000
278,450	.....	86,097.50 + 39.6%	278,450

Instructions for Schedules to Form 1040

1998 Instructions for Schedule A, Itemized Deductions

Use Schedule A (Form 1040) 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 a 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.

Caution: Do not include on Schedule A items deducted elsewhere, such as on Schedule C, C-EZ, E, or F.

Medical and Dental Expenses

You may deduct only the part of your medical and dental expenses that exceeds 7.5% of the amount on Form 1040, line 34.

Pub. 502 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.

Caution: If you received a distribution from your medical savings account in 1998, see **Pub. 969** to figure your deduction.

Examples of Medical and Dental Payments You May Deduct

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

- Insurance premiums for medical and dental care, including eligible long-term care premiums as defined in Pub. 502. But see **Limit on Long-Term Care Premiums You May Deduct** on this page. Reduce the insurance premiums by any self-employed health insurance deduction you claimed on Form 1040, line 28.

- Prescription medicines or insulin.
- Medical doctors, osteopathic doctors, dentists, eye doctors, podiatrists, chiropractors, 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.

- Qualified long-term care services (see Pub. 502).

- 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 **10 cents a mile**. Add parking and tolls to the amount you claim under either method.

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

Limit on Long-Term Care Premiums You May Deduct. The amount you may deduct for eligible long-term care premiums (as defined in Pub. 502) depends on the age, at the end of 1998, of the person for whom the premiums were paid.

IF the person was, at the end of 1998, age . . .	THEN the most you may deduct is . . .
40 or under	\$ 210
41-50	\$ 380
51-60	\$ 770
61-70	\$ 2,050
71 or older	\$ 2,570

Examples of Medical and Dental Payments You May Not Deduct

- The basic cost of Medicare insurance (Medicare A).



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 or household employment taxes.

- Nursing care for a healthy baby. But you may be able to take a credit for the amount you paid. See the instructions for Form 1040, line 41.

- Illegal operations or drugs.
- Nonprescription medicines.
- 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** below.



Do not forget to include insurance premiums you paid for medical and dental care. But if you claimed the self-employed health insurance deduction on Form 1040, line 28, reduce the premiums by the amount on line 28.

Whose Medical and Dental Expenses Can You Include?

You may include medical and dental bills you paid for:

- Yourself and your spouse.
- All dependents you claim on your return.
- Your child whom you do not claim as a dependent because of the rules explained in **Pub. 501** 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 \$2,700 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 \$2,700 in 1998. You may include on line 1 any medical and dental expenses you paid in 1998 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 1998 for medical or dental expenses you paid in 1998, reduce your 1998 expenses by this amount. If you received a reimbursement in 1998 for prior year medical or dental expenses, do not reduce your 1998 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.

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, Federal unemployment (FUTA), and railroad retirement (RRTA) taxes.
- Customs duties.
- Federal estate and gift taxes. But see the instructions for line 27 on page A-6.
- 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 1998. Your W-2 form(s) will show these amounts. Forms W-2G, 1099-G, 1099-R, and 1099-MISC may also show state and local income taxes withheld.

- State and local income taxes paid in 1998 for a prior year, such as taxes paid with your 1997 state or local income tax return. **Do not** include penalties or interest.

- State and local estimated tax payments made during 1998, including any part of a prior year refund that you chose to have credited to your 1998 state or local income taxes.

- Mandatory contributions you made to the California, New Jersey, or 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 1998, or
- Any refund of, or credit for, prior year state and local income taxes you actually received in 1998. 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 the following amounts on line 6.

- 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).

- 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 1998.

If you sold your home in 1998, any real estate tax charged to the buyer should be shown in box 5 of **Form 1099-S**. This amount is considered a refund of real estate taxes you received in 1998. See **Refunds and Rebates** next. Any real estate taxes you paid at closing should be shown on your settlement statement.

Refunds and Rebates. If you received a refund or rebate in 1998 of real estate taxes you paid in 1998, reduce your deduction by the amount of the refund or rebate. If you received a refund or rebate in 1998 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** 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 based on value alone.

Example. You paid a fee for the registration of your car. Part of the fee was based on the car's value and part was based on its weight. You may deduct only the part of the fee that is 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.



You may want to take a credit for the foreign tax instead of a deduction. See the instructions for Form 1040, line 46, for details.

Interest You Paid

Whether your interest expense is treated as investment interest, personal interest, or business interest depends on how and when you used the loan proceeds. See **Pub. 535** for details.

In general, if you paid interest in 1998 that applies to any period after 1998, you may deduct only amounts that apply for 1998.

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. If you took out any mortgages after October 13, 1987, your deduction may be limited. Any additional amounts borrowed after October 13, 1987, on a line-of-credit mortgage you had on that date

are treated as a mortgage taken out after October 13, 1987. If you refinanced a mortgage you had on October 13, 1987, treat the new mortgage as taken out on or before October 13, 1987. But if you refinanced for more than the balance of the old mortgage, treat the excess as a mortgage taken out after October 13, 1987.

See **Pub. 936** to figure your deduction if **either 1 or 2** next applies. If you had more than one home at the same time, the dollar amounts in **1** and **2** apply to the total mortgages on both homes.

1. You took out any mortgages after October 13, 1987, and used the proceeds for purposes other than to buy, build, or improve your home, and all of these mortgages totaled over \$100,000 at any time during 1998. The limit is \$50,000 if married filing separately. An example of this type of mortgage is a home equity loan used to pay off credit card bills, buy a car, or pay tuition.

2. You took out any mortgages after October 13, 1987, and used the proceeds to buy, build, or improve your home, and these mortgages plus any mortgages you took out on or before October 13, 1987, totaled over \$1 million at any time during 1998. The limit is \$500,000 if married filing separately.

Caution: *If the total amount of all mortgages is more than the fair market value of the home, additional limits apply. See Pub. 936.*

Line 10

Enter on line 10 mortgage interest and points reported to you on **Form 1098**. 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 the recipient 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 enter "See attached" next to line 10.

Note: *If you are claiming the mortgage interest credit (see the instructions for Form 1040, line 47), 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 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 number. You must also let the recipient know your SSN. If you do not 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, enter "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 generally deductible over the life of the loan. See **Pub. 936** to figure the amount you may deduct. Points paid for other purposes, such as for a lender's services, are not deductible.

Refinancing. Generally, you must deduct points you paid to refinance a mortgage over the life of the loan. This is true even if the new mortgage is secured by your main home.

If you used part of the proceeds to **improve your main home**, you may be able to deduct the part of the points related to the improvement in the year paid. See Pub. 936 for details.



If you paid off a mortgage early, deduct any remaining points in the year you paid off the mortgage.

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 passive activities or to securities that generate tax-exempt income.

Complete and attach **Form 4952** to figure your deduction.

(continued)

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

1. Your investment interest expense is not more than your investment income from interest and ordinary dividends.

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

3. You have no disallowed investment interest expense from 1997.

Note: *Alaska Permanent Fund dividends, including those reported on Form 8814, are not investment income.*

For more details, see **Pub. 550**.

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 **14 cents a**

mile or the actual cost of gas and oil. Add parking and tolls to the amount you claim under either method. But do not deduct any amounts that were repaid to you.

Gifts From Which You Benefit. If you made a gift and received a benefit in return, such as food, entertainment, or merchandise, you may generally only deduct the amount that is more than the value of the benefit. But this rule does not apply to certain membership benefits provided in return for an annual payment of \$75 or less. For details, see **Pub. 526**.

Example. 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. See **Pub. 526** 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. See **Pub. 526** to figure the amount of your deduction if **any** of the following apply:

- Your cash contributions or contributions of ordinary income property are

more than 30% of the amount on Form 1040, line 34.

- Your gifts of capital gain property are more than 20% of the amount on Form 1040, line 34.

- 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).

- 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 benefits received in connection with a contribution to a charitable organization. See **Pub. 526** for exceptions.

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**. 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, 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, you gave less than your entire interest in the property, or you made a "qualified conservation contribution," 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.

Casualty and Theft Losses

Line 19

Complete and attach **Form 4684** to figure the amount of your loss to enter on line 19.

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 34.

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 information on Federal disaster area losses, see **Pub. 547**.

Job Expenses and Most Other Miscellaneous Deductions

Pub. 529 discusses the types of expenses that may and may not be deducted.

Examples of expenses you may **not** deduct are:

- Political contributions.
- Personal legal expenses.
- Lost or misplaced cash or property.
- Expenses for meals during regular or extra work hours.
- The cost of entertaining friends.
- Expenses of going to or from your regular workplace.

- Travel expenses for employment away from home if that period of employment exceeds 1 year. See Pub. 529 for an exception for certain Federal employees.

- Travel as a form of education.
- Expenses of attending a seminar, convention, or similar meeting unless it is related to your employment.
- Club dues. See Pub. 529 for exceptions.
- Expenses of adopting a child. But you may be able to take a credit for your expenses. See the instructions for Form 1040, line 45.
- 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** if:

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 item 2 does not apply, you may be able to file **Form 2106-EZ** instead.*

If you do not 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 other expenses to include on line 20 are:

- Safety equipment, small tools, and supplies you needed for your job.
- Uniforms required by your employer, 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.

- Certain business use of part of your home. For details, including limits that apply, use TeleTax topic 509 (see page 9) or see **Pub. 587**.

- Certain educational expenses. For details, use TeleTax topic 513 (see page 9) or see **Pub. 508**.

Line 21

Tax Preparation Fees

Enter the fees you paid for preparation of your tax return, including fees paid for filing your return electronically.

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 personal expenses. 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:

- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (for example, 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 that apply, see **Pub. 529**.
- Casualty and theft losses from property used in performing services as an employee from Form 4684, lines 32 and 38b, or Form 4797, line 18b(1).
- Deduction for repayment of amounts under a claim of right if \$3,000 or less.

Other Miscellaneous Deductions

Line 27

Only the expenses listed below can be deducted on this line. List the type and amount of each expense on the dotted lines next to line 27. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 27.

- Gambling losses, but only to the extent of gambling winnings reported on Form 1040, line 21.
- Casualty and theft losses from income-producing property from Form 4684, lines 32 and 38b, or Form 4797, line 18b(1).
- 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 over \$3,000. See **Pub. 525** for details.

- Certain unrecovered investment in a pension. See **Pub. 529** for details.

- Impairment-related work expenses of a disabled person.

For more details, see Pub. 529.

Total Itemized Deductions

Line 28

Use the worksheet on this page to figure the amount to enter on line 28 if the amount on Form 1040, line 34, is over \$124,500 if single, married filing jointly, head of household, or qualifying widow(er); \$62,250 if married filing separately.

Itemized Deductions Worksheet—Line 28 (keep for your records)



1. Add the amounts on Schedule A, lines 4, 9, 14, 18, 19, 26, and 27	1. _____
2. Add the amounts on Schedule A, lines 4, 13, and 19, plus any gambling and casualty or theft losses included on line 27	2. _____
Caution: <i>Be sure your total gambling and casualty or theft losses are clearly identified on the dotted line next to line 27.</i>	
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 28, and see the Note below.	3. _____
4. Multiply line 3 above by 80% (.80)	4. _____
5. Enter the amount from Form 1040, line 34	5. _____
6. Enter: \$124,500 if single, married filing jointly, head of household, or qualifying widow(er); \$62,250 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 28, 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 28, and see the Note below	10. _____
Note: <i>Also enter on Form 1040, line 36, the larger of the amount you enter on Schedule A, line 28, or your standard deduction.</i>	

1998 Instructions for Schedule B, Interest and Ordinary Dividends



TIP 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 statements that are the same size as the printed schedule. Use the same format as lines 1 and 5, but show your totals on Schedule B. Be sure to put your name and social security number (SSN) on the statements and attach them at the end of your return.

Part I. Interest

Line 1

Interest

Report on line 1 **all** of your taxable interest income. List each payer's name and show the amount.

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 the buyer paid you on a mortgage or other form of seller financing. Be sure to show the buyer's name, address, and SSN. You must also let the buyer know your SSN. If you do not 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

Use Schedule B (Form 1040) if:

- You had over \$400 in taxable interest, or
- Any of the **Special Rules** listed below applies to you, or
- You are claiming the exclusion of interest from series EE U.S. savings bonds issued after 1989, or
- You had over \$400 in ordinary dividends, or
- You received ordinary dividends as a nominee, or
- You (1) had a foreign account; or (2) received a distribution from, or were a grantor of, or transferor to, a foreign trust. Part III of the schedule has questions about foreign accounts and trusts.

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, enter "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.



TIP 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 1096** and a **Form 1099-INT** with the IRS. 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

If you received a **Form 1099-INT** for tax-exempt interest, follow the rules earlier under **Nominees** to see how to report the interest on Schedule B. But identify the amount to be subtracted as "Tax-Exempt Interest."

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, follow the rules earlier under **Nominees** to see how to report the interest on Schedule B. But identify the amount to be subtracted as "ABP Adjustment."

Line 3

Excludable Interest on Series EE U.S. Savings Bonds Issued After 1989

Did you cash series EE U.S. savings bonds in 1998 that were issued after 1989? If you did and you paid qualified higher education expenses in 1998 for yourself, your spouse, or your dependents, you may be able to exclude part or all of the interest on those bonds. See **Form 8815** for details.

Part II. Ordinary Dividends

Note: You may have to file **Form 5471** if, in 1998, you were an officer or director of a foreign corporation. You may also have to file **Form 5471** if, in 1998, you owned 10% or more of the total (1) value of a foreign corporation's stock, or (2) combined voting power of all classes of a foreign corporation's stock with voting rights. For details, see **Form 5471** and its instructions.

Line 5

Ordinary Dividends

Report on line 5 **all** of your ordinary dividend income. List each payer's name and show the amount.



Do not report capital gain distributions on line 5. Instead, report them on Schedule D, line 13.

Nominees

If you received a **Form 1099-DIV** that includes ordinary dividends you received as a nominee (that is, in your name, but the ordinary 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 ordinary dividends listed on line 5. Below this subtotal, enter "Nominee Distribution" and show the total ordinary dividends you received as a nominee. Subtract this amount from the subtotal and enter the result on line 6.



If you received ordinary 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 1096 and a Form 1099-DIV with the IRS. For more details, see the Instructions for Forms 1099, 1098, 5498, and W-2G.

Part III. Foreign Accounts and Trusts

Lines 7a and 7b

Foreign Accounts

Line 7a

Check the **Yes** box on line 7a 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).

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

Exceptions. Check the **No** box 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.

See **Form TD F 90-22.1** to find out 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).

If you checked the **Yes** box on line 7a, file Form TD F 90-22.1 by June 30, 1999, with the **Department of the Treasury** at the address shown on that form. **Do not** attach it to Form 1040.

Line 7b

If you checked the **Yes** box on line 7a, enter the name of the foreign country or countries in the space provided on line 7b. Attach a separate statement if you need more space.

Line 8

Foreign Trusts

If you received a distribution from a foreign trust, you must provide additional information. For this purpose, a loan of cash or marketable securities generally is considered to be a distribution. See **Form 3520** for details.

If you were the grantor of, or transferor to, a foreign trust that existed during 1998, you may have to file Form 3520.

1998 Instructions for Schedule C, Profit or Loss From Business

Use Schedule C (Form 1040) to report income or loss 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 expenses of \$2,500 or less may be able to file **Schedule C-EZ** 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

New Activity Codes. The new principal business or professional activity codes on pages C-8 and C-9 are based on the North American Industry Classification System (NAICS), which was developed by the statistical agencies of Canada, Mexico, and the United States in cooperation with the Office of Management and Budget. The NAICS-based codes replace the activity codes previously based on the Standard Industrial Classification (SIC) system.

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 1998, to claim amortization that began in 1998, 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 (not 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. See **Form 2290** to find out 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, see 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 trade or business, you may have to file **Form 8300**. For details, see **Pub. 1544**.

Additional Information

See **Pub. 334** for more information for small businesses.

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**. 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. See **Pub. 538**.

To change your accounting method (including treatment of inventories), you must usually 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

Participation, for purposes of the following seven material participation tests, 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 1998 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, 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**.

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, see **Pub. 925**.

Line H

If you started or acquired this business in 1998, check the box on line H. Also, check the box if you are reopening or restarting this business after temporarily closing it, and you did not file a 1997 Schedule C or C-EZ for this business.

Part I. Income

Line 1

Enter gross receipts from your trade or business. Include amounts you received in your trade or business that were properly shown on **Forms 1099-MISC**. If the total amounts that were reported in box 7 of Forms 1099-MISC are more than the total you are reporting on line 1, attach a statement explaining the difference.

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 56. Also, enter "453(l)(3)" and the amount of the interest on the dotted line to the left of line 56.

If you use the installment method, attach a schedule to your return. Show separately for 1998 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 1998, credit for Federal tax paid on gasoline or other fuels claimed on your 1997 Form 1040, prizes and awards related to your trade or business, and other kinds of miscellaneous business income. Include amounts you received in your trade or business as shown on **Form 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, see **Pub. 535**.

If the business use percentage of any listed property (defined in the instructions for line 13) decreased to 50% or less in 1998, report on this line any recapture of excess depreciation, including any section 179 expense deduction. Use **Form 4797** 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. See **Pub. 946** 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 certain indirect costs in their inventory. Purchasers of personal property acquired for resale must include part of certain indirect costs in inventory only if the average annual gross receipts for the 3 prior tax years exceed \$10 million. Also, you must capitalize part of the indirect costs that benefit real or tangible personal property constructed for use in a trade or business, or noninventory property produced for sale to customers. Reduce the amounts on lines 8-26 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

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, see **Pub. 535**.

Line 10

You can deduct the actual expenses of running your car or truck, or take the **standard mileage rate**. You may use the standard mileage rate even if you lease your vehicle. You **must** use actual expenses if you used more than one vehicle simultaneously in your business (such as in fleet operations).

If you deduct actual expenses:

- Include on line 10 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc., and
- Show depreciation on line 13 and rent or lease payments on line 20a.

If you choose to take the standard mileage rate, you **cannot** deduct depreciation, rent or lease payments, or your actual operating expenses. To take the standard mileage rate, multiply the number of business miles by 32.5 cents a mile. Add to this amount your parking fees and tolls, and enter the total.

For more details, see **Pub. 463**.

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 one of the following:

- 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 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.

See the Instructions for Form 4562 to figure the amount of depreciation to enter on line 13.

You may also choose under Internal Revenue Code section 179 to expense part of the cost of certain property you bought in 1998 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 1998, 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 1998, see **Pub. 946**.

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, pickup 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.
- 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 1998, see the instructions for line 6 on page C-3.

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 28, 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 28 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 1998 that applies to future years, deduct only the part that applies to 1998. 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 1998 to banks or other financial institutions for which you received a **Form 1098**. If you did not receive a Form 1098, enter the interest on line 16b.

If you paid more mortgage interest 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. Enter "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, enter "See attached."

Do not deduct interest you paid or accrued on debts allocable to investment property. This interest is generally deducted on **Schedule A** (Form 1040). For details, see **Pub. 550**.

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 29, 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, see **Pub. 560**.

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 1997 or 1998 . . .	\$15,800
During 1995 or 1996 . . .	15,500
During 1994	14,600
During 1993	14,300
During 1992	13,700

If the lease term began before 1992, see Pub. 463 to find out if you have an inclusion amount.

Also see Pub. 463 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**.

- 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 27.

- 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, see Pub. 463.

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 membership dues for any club organized for business, pleasure, recreation, or other social purpose. This includes country clubs, golf and athletic clubs, airline and hotel clubs, and clubs operated to provide meals under conditions favorable to business discussion. But it does not

include civic or public service organizations, professional organizations (such as bar and medical associations), business leagues, trade associations, chambers of commerce, boards of trade, and real estate boards, unless a principal purpose of the organization is to entertain, or provide entertainment facilities for, members or their guests.

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 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 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**, Work Opportunity Credit.
- **Form 8844**, Empowerment Zone Employment Credit.
- **Form 8845**, Indian Employment Credit.

- **Form 8861**, Welfare-to-Work 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 1998 because of the limitations can be carried over to 1999. You must attach **Form 8829** if you claim this deduction.

For details, see the Instructions for Form 8829 and **Pub. 587**.

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 G 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. See the Instructions for Form 1040, lines 59a and 59b, on page 36 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** 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 G, 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 G, 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 1998 because of the at-risk rules is treated as a deduction allocable to the business in 1999. 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.*

Line 33

Your inventories can be valued at cost; cost or market value, whichever is lower; or any other method approved by the IRS.

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 provided. Enter the total on lines 48 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 1998, 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 allo-

ating 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 1998.

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 39, by the amount of the deduction. In the margin to the left of line 39, enter "CCF" and the amount of the deduction. For more information, see **Pub. 595**.

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 1998 to provide access to your business for individuals with disabilities. See **Form 8826** for more details. You can also deduct up to \$15,000 of costs paid or incurred in 1998 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.

New Principal Business or Professional Activity Codes

These codes for the Principal Business or Professional Activity classify sole proprietorships by the type of activity they are engaged in to facilitate the administration of the Internal Revenue Code. These six-digit codes are based on the new North American Industry Classification System (NAICS) and do not resemble prior year codes.

Select the category that best describes your primary business activity (for example, Real Estate). Then select the activity that best identifies the principal source of your sales or receipts (for example, real estate agent). Now find the six-digit code assigned to this activity and **enter it on line B of Schedule C or C-EZ**

(for example, 531210, the Code for offices of real estate agents and brokers).

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

<p>Accommodation, Food Services, & Drinking Places</p> <p>Accommodation</p> <p>721310 Rooming & boarding houses 721210 RV (recreational vehicle) parks & recreational camps 721100 Travel accommodation (including hotels, motels, & bed & breakfast inns)</p> <p>Food Services & Drinking Places</p> <p>722410 Drinking places (alcoholic beverages) 722110 Full-service restaurants 722210 Limited-service eating places 722300 Special food services (including food service contractors & caterers)</p>	<p>Support Activities for Agriculture & Forestry</p> <p>115210 Support activities for animal production (including farriers) 115110 Support activities for crop production (including cotton ginning, soil preparation, planting, & cultivating) 115310 Support activities for forestry</p>	<p>Finance & Insurance</p> <p>Credit Intermediation & Related Activities</p> <p>522100 Depository credit intermediation (including commercial banking, savings institutions, & credit unions) 522200 Nondepository credit intermediation (including sales financing & consumer lending) 522300 Activities related to credit intermediation (including loan brokers)</p> <p>Insurance Agents, Brokers, & Related Activities</p> <p>524210 Insurance agencies & brokerages 524290 Other insurance related activities</p> <p>Securities, Commodity Contracts, & Other Financial Investments & Related Activities</p> <p>523140 Commodity contracts brokers 523130 Commodity contracts dealers 523110 Investment bankers & securities dealers 523210 Securities & commodity exchanges 523120 Securities brokers 523900 Other financial investment activities (including investment advice)</p>	<p>Information</p> <p>511000 Publishing industries</p> <p>Broadcasting & Telecommunications</p> <p>513000 Broadcasting & telecommunications</p> <p>Information Services & Data Processing Services</p> <p>514210 Data processing services 514100 Information services (including news syndicates, libraries, & on-line information services)</p> <p>Motion Picture & Sound Recording</p> <p>512100 Motion picture & video industries (except video rental) 512200 Sound recording industries</p>
<p>Administrative & Support and Waste Management & Remediation Services</p> <p>Administrative & Support Services</p> <p>561430 Business service centers (including private mail centers & copy shops) 561740 Carpet & upholstery cleaning services 561440 Collection agencies 561450 Credit bureaus 561410 Document preparation services 561300 Employment services 561710 Exterminating & pest control services 561210 Facilities support (management) services 561600 Investigation & security services 561720 Janitorial services 561730 Landscaping services 561110 Office administrative services 561420 Telephone call centers (including telephone answering services & telemarketing bureaus) 561500 Travel arrangement & reservation services 561490 Other business support services (including repositioning services, court reporting, & stenotype services) 561790 Other services to buildings & dwellings 561900 Other support services (including packaging & labeling services, & convention & trade show organizers)</p> <p>Waste Management & Remediation Services</p> <p>562000 Waste management & remediation services</p>	<p>Arts, Entertainment, & Recreation</p> <p>Amusement, Gambling, & Recreation Industries</p> <p>713100 Amusement parks & arcades 713200 Gambling industries 713900 Other amusement & recreation services (including golf courses, skiing facilities, marinas, fitness centers, bowling centers, skating rinks, miniature golf courses)</p> <p>Museums, Historical Sites, & Similar Institutions</p> <p>712100 Museums, historical sites, & similar institutions</p> <p>Performing Arts, Spectator Sports, & Related Industries</p> <p>711410 Agents & managers for artists, athletes, entertainers, & other public figures 711510 Independent artists, writers, & performers 711100 Performing arts companies 711300 Promoters of performing arts, sports, & similar events 711210 Spectator sports (including professional sports clubs & racetrack operations)</p>	<p>Health Care & Social Assistance</p> <p>Ambulatory Health Care Services</p> <p>621610 Home health care services 621510 Medical & diagnostic laboratories 621310 Offices of chiropractors 621210 Offices of dentists 621330 Offices of mental health practitioners (except physicians) 621320 Offices of optometrists 621340 Offices of physical, occupational & speech therapists, & audiologists 621111 Offices of physicians (except mental health specialists) 621112 Offices of physicians, mental health specialists 621391 Offices of podiatrists 621399 Offices of all other miscellaneous health practitioners 621400 Outpatient care centers 621900 Other ambulatory health care services (including ambulance services, blood, & organ banks)</p> <p>Hospitals</p> <p>622000 Hospitals</p> <p>Nursing & Residential Care Facilities</p> <p>623000 Nursing & residential care facilities</p> <p>Social Assistance</p> <p>624410 Child day care services 624200 Community food & housing, & emergency & other relief services 624100 Individual & family services 624310 Vocational rehabilitation services</p>	<p>Manufacturing</p> <p>315000 Apparel mfg. 312000 Beverage & tobacco product mfg. 334000 Computer & electronic product mfg. 335000 Electrical equipment, appliance, & component mfg. 332000 Fabricated metal product mfg. 337000 Furniture & related product mfg. 333000 Machinery mfg. 339110 Medical equipment & supplies mfg. 322000 Paper mfg. 324100 Petroleum & coal products mfg. 326000 Plastics & rubber products mfg. 331000 Primary metal mfg. 323100 Printing & related support activities 313000 Textile mills 314000 Textile product mills 336000 Transportation equipment mfg. 321000 Wood product mfg. 339900 Other miscellaneous mfg.</p> <p>Chemical Manufacturing</p> <p>325100 Basic chemical mfg. 325500 Paint, coating, & adhesive mfg. 325300 Pesticide, fertilizer, & other agricultural chemical mfg. 325410 Pharmaceutical & medicine mfg. 325200 Resin, synthetic rubber, & artificial & synthetic fibers & filaments mfg. 325600 Soap, cleaning compound, & toilet preparation mfg. 325900 Other chemical product & preparation mfg.</p> <p>Food Manufacturing</p> <p>311110 Animal food mfg. 311800 Bakeries & tortilla mfg. 311500 Dairy product mfg. 311400 Fruit & vegetable preserving & speciality food mfg. 311200 Grain & oilseed milling 311610 Animal slaughtering & processing 311710 Seafood product preparation & packaging 311300 Sugar & confectionery product mfg. 311900 Other food mfg. (including coffee, tea, flavorings, & seasonings)</p>
<p>Agriculture, Forestry, Hunting, & Fishing</p> <p>112900 Animal production (including breeding of cats and dogs) 114110 Fishing 113000 Forestry & logging (including forest nurseries & timber tracts) 114210 Hunting & trapping</p>	<p>Educational Services</p> <p>611000 Educational services (including schools, colleges, & universities)</p>		

New Principal Business or Professional Activity Codes (continued)

<p>Leather & Allied Product Manufacturing</p> <p>316210 Footwear mfg. (including leather, rubber, & plastics)</p> <p>316110 Leather & hide tanning & finishing</p> <p>316990 Other leather & allied product mfg.</p> <p>Nonmetallic Mineral Product Manufacturing</p> <p>327300 Cement & concrete product mfg.</p> <p>327100 Clay product & refractory mfg.</p> <p>327210 Glass & glass product mfg.</p> <p>327400 Lime & gypsum product mfg.</p> <p>327900 Other nonmetallic mineral product mfg.</p>	<p>541350 Building inspection services</p> <p>541340 Drafting services</p> <p>541330 Engineering services</p> <p>541360 Geophysical surveying & mapping services</p> <p>541320 Landscape architecture services</p> <p>541370 Surveying & mapping (except geophysical) services</p> <p>541380 Testing laboratories</p> <p>Computer Systems Design & Related Services</p> <p>541510 Computer systems design & related services</p> <p>Specialized Design Services</p> <p>541400 Specialized design services (including interior, industrial, graphic, & fashion design)</p> <p>Other Professional, Scientific, & Technical Services</p> <p>541800 Advertising & related services</p> <p>541600 Management, scientific, & technical consulting services</p> <p>541910 Market research & public opinion polling</p> <p>541920 Photographic services</p> <p>541700 Scientific research & development services</p> <p>541930 Translation & interpretation services</p> <p>541940 Veterinary services</p> <p>541990 All other professional, scientific, & technical services</p>	<p>448110 Men's clothing stores</p> <p>448210 Shoe stores</p> <p>448120 Women's clothing stores</p> <p>448190 Other clothing stores</p> <p>Electronic & Appliance Stores</p> <p>443130 Camera & photographic supplies stores</p> <p>443120 Computer & software stores</p> <p>443111 Household appliance stores</p> <p>443112 Radio, television, & other electronics stores</p> <p>Food & Beverage Stores</p> <p>445310 Beer, wine, & liquor stores</p> <p>445220 Fish & seafood markets</p> <p>445230 Fruit & vegetable markets</p> <p>445100 Grocery stores (including supermarkets & convenience stores without gas)</p> <p>445210 Meat markets</p> <p>445290 Other specialty food stores</p> <p>Furniture & Home Furnishing Stores</p> <p>442110 Furniture stores</p> <p>442200 Home furnishings stores</p> <p>Gasoline Stations</p> <p>447100 Gasoline stations (including convenience stores with gas)</p> <p>General Merchandise Stores</p> <p>452000 General merchandise stores</p> <p>Health & Personal Care Stores</p> <p>446120 Cosmetics, beauty supplies, & perfume stores</p> <p>446130 Optical goods stores</p> <p>446110 Pharmacies & drug stores</p> <p>446190 Other health & personal care stores</p> <p>Motor Vehicle & Parts Dealers</p> <p>441300 Automotive parts, accessories, & tire stores</p> <p>441222 Boat dealers</p> <p>441221 Motorcycle dealers</p> <p>441110 New car dealers</p> <p>441210 Recreational vehicle dealers (including motor home & travel trailer dealers)</p> <p>441120 Used car dealers</p> <p>441229 All other motor vehicle dealers</p> <p>Sporting Goods, Hobby, Book, & Music Stores</p> <p>451211 Book stores</p> <p>451120 Hobby, toy, & game stores</p> <p>451140 Musical instrument & supplies stores</p> <p>451212 News dealers & newsstands</p> <p>451220 Prerecorded tape, compact disc, & record stores</p> <p>451130 Sewing, needlework, & piece goods stores</p> <p>451110 Sporting goods stores</p> <p>Miscellaneous Store Retailers</p> <p>453920 Art dealers</p> <p>453110 Florists</p> <p>453220 Gift, novelty, & souvenir stores</p> <p>453930 Manufactured (mobile) home dealers</p> <p>453210 Office supplies & stationery stores</p> <p>453910 Pet & pet supplies stores</p> <p>453310 Used merchandise stores</p> <p>453990 All other miscellaneous store retailers (including tobacco, candle, & trophy shops)</p> <p>Nonstore Retailers</p> <p>454110 Electronic shopping & mail-order houses</p> <p>454310 Fuel dealers</p> <p>454210 Vending machine operators</p> <p>454390 Other direct selling establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)</p>	<p>Transportation & Warehousing</p> <p>481000 Air transportation</p> <p>485510 Charter bus industry</p> <p>484110 General freight trucking, local</p> <p>484120 General freight trucking, long-distance</p> <p>485210 Interurban & rural bus transportation</p> <p>486000 Pipeline transportation</p> <p>482110 Rail transportation</p> <p>487000 Scenic & sightseeing transportation</p> <p>485410 School & employee bus transportation</p> <p>484200 Specialized freight trucking (including household moving vans)</p> <p>485300 Taxi & limousine service</p> <p>485110 Urban transit systems</p> <p>483000 Water transportation</p> <p>485990 Other transit & ground passenger transportation</p> <p>488000 Support activities for transportation (including motor vehicle towing)</p> <p>Couriers & Messengers</p> <p>492000 Couriers & messengers</p> <p>Warehousing & Storage Facilities</p> <p>493100 Warehousing & storage (except lessors of miniwarehouses & self-storage units)</p>
<p>Mining</p> <p>212110 Coal mining</p> <p>212200 Metal ore mining</p> <p>212300 Nonmetallic mineral mining & quarrying</p> <p>211110 Oil & gas extraction</p> <p>213110 Support activities for mining</p>			
<p>Other Services</p> <p>Personal & Laundry Services</p> <p>812111 Barber shops</p> <p>812112 Beauty salons</p> <p>812220 Cemeteries & crematories</p> <p>812310 Coin-operated laundries & drycleaners</p> <p>812320 Drycleaning & laundry services (except coin-operated) (including laundry & drycleaning drop off & pickup sites)</p> <p>812210 Funeral homes & funeral services</p> <p>812330 Linen & uniform supply</p> <p>812113 Nail salons</p> <p>812930 Parking lots & garages</p> <p>812910 Pet care (except veterinary) services</p> <p>812920 Photofinishing</p> <p>812190 Other personal care services (including diet & weight reducing centers)</p> <p>812990 All other personal services</p> <p>Repair & Maintenance</p> <p>811120 Automotive body, paint, interior, & glass repair</p> <p>811110 Automotive mechanical & electrical repair & maintenance</p> <p>811190 Other automotive repair & maintenance (including oil change & lubrication shops & car washes)</p> <p>811310 Commercial & industrial machinery & equipment (except automotive & electronic) repair & maintenance</p> <p>811210 Electronic & precision equipment repair & maintenance</p> <p>811430 Footwear & leather goods repair</p> <p>811410 Home & garden equipment & appliance repair & maintenance</p> <p>811420 Reupholstery & furniture repair</p> <p>811490 Other personal & household goods repair & maintenance</p>			
<p>Real Estate & Rental & Leasing</p> <p>Real Estate</p> <p>531100 Lessors of real estate (including miniwarehouses & self-storage units)</p> <p>531210 Offices of real estate agents & brokers</p> <p>531320 Offices of real estate appraisers</p> <p>531310 Real estate property managers</p> <p>531390 Other activities related to real estate</p> <p>Rental & Leasing Services</p> <p>532100 Automotive equipment rental & leasing</p> <p>532400 Commercial & industrial machinery & equipment rental & leasing</p> <p>532210 Consumer electronics & appliances rental</p> <p>532220 Formal wear & costume rental</p> <p>532310 General rental centers</p> <p>532230 Video tape & disc rental</p> <p>532290 Other consumer goods rental</p>			
<p>Religious, Grantmaking, Civic, Professional, & Similar Organizations</p> <p>813000 Religious, grantmaking, civic, professional, & similar organizations</p>			
<p>Retail Trade</p> <p>Building Material & Garden Equipment & Supplies Dealers</p> <p>444130 Hardware stores</p> <p>444110 Home centers</p> <p>444200 Lawn & garden equipment & supplies stores</p> <p>444120 Paint & wallpaper stores</p> <p>444190 Other building materials dealers</p> <p>Clothing & Accessories Stores</p> <p>448130 Children's & infants' clothing stores</p> <p>448150 Clothing accessories stores</p> <p>448140 Family clothing stores</p> <p>448310 Jewelry stores</p> <p>448320 Luggage & leather goods stores</p>			
<p>Professional, Scientific, & Technical Services</p> <p>541100 Legal services</p> <p>541211 Office of certified public accountants</p> <p>541214 Payroll services</p> <p>541213 Tax preparation services</p> <p>541219 Other accounting services</p> <p>Architectural, Engineering, & Related Services</p> <p>541310 Architectural services</p>			
			<p>Utilities</p> <p>221000 Utilities</p> <p>Wholesale Trade</p> <p>Wholesale Trade, Durable Goods</p> <p>421600 Electrical goods</p> <p>421200 Furniture & home furnishing</p> <p>421700 Hardware, & plumbing & heating equipment & supplies</p> <p>421940 Jewelry, watch, precious stone, & precious metals</p> <p>421300 Lumber & other construction materials</p> <p>421800 Machinery, equipment, & supplies</p> <p>421500 Metal & mineral (except petroleum)</p> <p>421100 Motor vehicle & motor vehicle parts & supplies</p> <p>421400 Professional & commercial equipment & supplies</p> <p>421930 Recyclable materials</p> <p>421910 Sporting & recreational goods & supplies</p> <p>421920 Toy & hobby goods & supplies</p> <p>421990 Other miscellaneous durable goods</p> <p>Wholesale Trade, Nondurable Goods</p> <p>422300 Apparel, piece goods, & notions</p> <p>422800 Beer, wine, & distilled alcoholic beverage</p> <p>422920 Books, periodicals, & newspapers</p> <p>422600 Chemical & allied products</p> <p>422210 Drugs & druggists' sundries</p> <p>422500 Farm product raw materials</p> <p>422910 Farm supplies</p> <p>422930 Flower, nursery stock, & florists' supplies</p> <p>422400 Grocery & related products</p> <p>422950 Paint, varnish, & supplies</p> <p>422100 Paper & paper products</p> <p>422700 Petroleum & petroleum products</p> <p>422940 Tobacco & tobacco products</p> <p>422990 Other miscellaneous nondurable goods</p> <p>999999 Unclassified establishments (unable to classify)</p>

1998 Instructions for Schedule D, Capital Gains and Losses

Use Schedule D (Form 1040) to report:

- The sale or exchange of a capital asset (defined on this page).
- Gains from involuntary conversions (other than from casualty or theft) of capital assets not held for business or profit.
- Capital gain distributions.
- Nonbusiness bad debts.

Additional Information. See **Pub. 544** and **Pub. 550** for more details. For a comprehensive filled-in example of Schedule D, see **Pub. 550**.

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

General Instructions

Changes To Note

• For sales, exchanges, and conversions after 1997, property held more than 1 year (instead of more than 18 months) generally is eligible for the 10%, 20%, and 25% maximum capital gains rates. This rule also applies to installment payments received after 1997. The 28% rate will now apply **only** to pre-1998 gains (e.g., from fiscal year partnerships and mutual funds), collectibles gains, and part or all of the gain from the sale or exchange of qualified small business stock.

• If you sold qualified small business stock held more than 5 years, you may be able to exclude up to 50% of the gain. See page D-5 for details.

Other Forms You May Have To File

Use **Form 4797** 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 investment company (section 1242) stock.

• Ordinary loss on the sale, exchange, or worthlessness of small business (section 1244) stock.

Use **Form 4684** to report involuntary conversions of property due to casualty or theft.

Use **Form 6781** to report gains and losses from section 1256 contracts and straddles.

Use **Form 8824** if you made one or more "like-kind" exchanges. A like-kind exchange occurs when you exchange business or investment property for property of a like kind. For exchanges of capital assets, include the gain or (loss) from Form 8824, if any, on line 4 or line 11.

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 estate used in your trade or business.

5. Copyrights, literary, musical, or artistic compositions, letters or memoranda, or similar property: (a) created by your personal efforts; (b) prepared or produced for you (in the case of letters, memoranda, or similar property); or (c) that you received from someone who created them or for whom they were created, as mentioned in (a) or (b), in a way (such as by gift) that entitled you to the basis of the previous owner.

6. U.S. Government publications, including the Congressional Record, that you received from the government, other than by purchase at the normal sales price, or that you got from someone who had received it in a similar way,

if your basis is determined by reference to the previous owner's basis.

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 for which you received a **Form 1099-S**, 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 8, depending on how long you owned the home. Complete columns (a) through (e). Because the loss is not deductible, enter -0- in column (f).

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 short-term capital gains and losses is 1 year or less. The holding period for long-term capital gains and losses is more than 1 year. To figure the holding period, begin counting on the day after you received the property and include the day you disposed of it.

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** for what qualifies as a nonbusiness bad debt and how to enter it on Schedule D.

Partnership Interests

A sale or other disposition of an interest in a partnership may result in ordinary income or unrecaptured section 1250 gain. See **Pub. 541** and the worksheet for line 25 on page D-7.

Capital Gain Distributions

Enter on line 13, column (f), the **total** capital gain distributions paid to you during the year, regardless of how long you held your investment. Enter on line 13, column (g), the total of the amounts reported to you as the 28% rate gain portion of your total capital gain distributions. See below for a filled-in example of how to report capital gain distributions.

If you have an amount in box 2c, see the worksheet for line 25 on page D-7. If you have an amount in box 2d, see **Exclusion of Gain on Qualified Small Business Stock (Section 1202)** on page D-5.

If you received capital gain distributions as a nominee (that is, they were paid to you but actually belong to someone else), report only the amount that belongs to you on line 13. Attach a statement showing

the full amount you received and the amount you received as a nominee. See page B-1 for filing requirements for Forms 1099-DIV and 1096.

Note: *The example below is for a taxpayer whose only capital gains are capital gain distributions from a mutual fund (or other regulated investment company). If you have other capital gains or losses, you will have to complete additional lines on page 1 of Schedule D.*

FIRST . . . Enter the total amounts from all your Forms 1099-DIV (or substitute statements), boxes 2a and 2b, on Schedule D, line 13, columns (f) and (g), respectively.

THEN . . . Complete lines 15 and 16, and go to Part III on the back of Schedule D.

PAYER'S name, street address, city, state, ZIP code, and telephone no. Acme Investment Fund 987 Elm Street Metropolis, NY 11111		1 Ordinary dividends \$	OMB No. 1545-0110 1998	Dividends and Distributions
		2a Total capital gain distr. \$ 1,564.00	Form 1099-DIV	
PAYER'S Federal identification number 98-7654321	RECIPIENT'S identification number 123-45-6789	2b 28% rate gain \$ 378.00	2c Unrecap. sec. 1250 gain \$	Copy B For Recipient This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
RECIPIENT'S name Andrea M. Taxpayer		2d Section 1202 gain \$	3 Nontaxable distributions \$	
Street address (including apt. no.) 123 Main Street		4 Federal income tax withheld \$	5 Investment expenses \$	
City, state, and ZIP code Anytown, CA 99999		6 Foreign tax paid \$	7 Foreign country or U.S. possession \$	
Account number (optional)		8 Cash liquidation distr. \$	9 Noncash liquidation distr. \$	
Form 1099-DIV		(Keep for your records.)	Department of the Treasury - Internal Revenue Service	

SCHEDULE D (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Capital Gains and Losses

- ▶ Attach to Form 1040.
- ▶ See Instructions for Schedule D (Form 1040).
- ▶ Use Schedule D-1 for more space to list transactions for lines 1 and 8.

OMB No. 1545-0074

1998

Attachment Sequence No. 12

Name(s) shown on Form 1040

Your social security number

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-6)	(e) Cost or other basis (see page D-6)	(f) GAIN or (LOSS) Subtract (e) from (d)	(g) 28% RATE GAIN or (LOSS) * (see instr. below)
13 Capital gain distributions. See page D-2					1,564.00	378.00
14 Long-term capital loss carryover. Enter in both columns (f) and (g) the amount, if any, from line 13 of your 1997 Capital Loss Carryover Worksheet					()	()
15 Combine lines 8 through 14 in column (g)						378.00
16 Net long-term capital gain or (loss). Combine lines 8 through 14 in column (f) ▶					1,564.00	

* **28% Rate Gain or Loss** includes all "collectibles gains and losses" (as defined on page D-7) and up to 50% of the eligible gain on qualified small business stock (see page D-5).

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 11338H

Schedule D (Form 1040) 1998

Sale of Your Home

If you sold or exchanged your main home in 1998, do not report it on your tax return unless your gain exceeds your exclusion amount. Generally, if you meet the two tests below, you can exclude up to \$250,000 of gain. If both you and your spouse meet these tests, and you file a joint return, you can exclude up to \$500,000 of gain (but only one spouse needs to meet the ownership requirement in **Test 1**).

Test 1. You owned and used the home as your main home for 2 years or more during the 5-year period ending on the date you sold or exchanged your home.

Test 2. You have not sold or exchanged another main home during the 2-year period ending on the date of the sale or exchange of your home (not counting any sales or exchanges before May 7, 1997).

See **Pub. 523** for details, including how to report any taxable gain on Schedule D, if:

- You do not meet one of the above two tests,
- You (or your spouse if married) used any part of the home for business or rental purposes after May 6, 1997, or
- Your gain exceeds your exclusion amount.

Note: *Form 2119, which was previously used to report home sales, is now obsolete.*

Nondeductible Losses

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 executor of an estate and a beneficiary of that estate, unless the sale or exchange was to satisfy a pecuniary bequest (i.e., a bequest of a sum of money).
- 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 disposed 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, see the instructions for **Form 6198**.

If the loss is allowable under the at-risk rules, it may then be subject to the passive activity rules. See **Form 8582** and its instructions to see how to report capital gains and losses from a passive activity.

Items for Special Treatment

- Transactions by a securities dealer. See section 1236.
- Bonds and other debt instruments. See **Pub. 550** for details.
- Certain real estate subdivided for sale that may be considered a capital asset. See section 1237.
- Gain on the sale of depreciable property to a more than 50% owned entity, or to a trust of which you are a beneficiary. See **Pub. 544** for details.
- Gain on the disposition of stock in an interest charge domestic international sales corporation. See section 955(c).
- Gain on the sale or exchange of stock in certain foreign corporations. See section 1248.
- Transfer of property to a partnership that would be treated as an investment company if it were incorporated. See **Pub. 541**.
- 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. See section 84.
- 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. See **Pub. 504**.
- Amounts received on the retirement of a debt instrument generally are treated as received in exchange for the debt instrument. See **Pub. 550**.
- 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 a 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. See **Pub. 550**.
- Cash received in lieu of fractional shares of stock as a result of a stock split or stock dividend. See **Pub. 550** for details.

• 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, see **Pub. 564**.

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:

- Buy substantially identical stock or securities,
- Acquire substantially identical stock or securities in a fully taxable trade, or
- 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 property (or contract or option to acquire such property) 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 8. Show the full amount of the (loss) in column (f). Directly below the line on which you reported the loss, enter "Wash Sale" in column (a) and the amount of the loss not allowed as a positive amount in column (f).

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, your gain when closing a short sale is short term if you **(a)** held substantially identical property for 1 year or less on the date of the short sale, or **(b)** acquired property substantially identical to the property sold short after the short sale but on or before the date you close the short sale.

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.

Constructive Sales Treatment for Certain Appreciated Positions

Generally, you must recognize gain (but not loss) on the date you enter into a constructive sale of any appreciated position in stock, a partnership interest, or certain debt instruments as if the position were disposed of at fair market value on that date.

You are treated as making a constructive sale of an appreciated position when you (or a related person, in some cases) do one of the following:

- Enter into a short sale of the same or substantially identical property (i.e., a "short sale against the box").
- Enter into an offsetting notional principal contract relating to the same or substantially identical property.
- Enter into a futures or forward contract to deliver the same or substantially identical property.
- Acquire the same or substantially identical property (if the appreciated position is a short sale, offsetting notional principal contract, or a futures or forward contract).

Exception. Generally, constructive sale treatment **does not** apply if:

- You closed the transaction before the end of the 30th day after the end of the year in which it was entered into,
- You held the appreciated position to which the transaction relates throughout the 60-day period starting on the date the transaction was closed, **and**
- At no time during that 60-day period was your risk of loss reduced by holding certain other positions.

For details and other exceptions to these rules, see Pub. 550.

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 enter **"EXPIRED"** in column (d). If an option that was granted (written) expired, enter the expiration date in column (b) and enter **"EXPIRED"** in column (e). Fill in the other columns as appropriate. See Pub. 550 for more details.

Sales of Stock to ESOPs or Certain Cooperatives

If you sold qualified securities (defined in section 1042(c)(1)) held for at least 3

years to an employee stock ownership plan (ESOP) or eligible worker-owned cooperative, you may be able to elect to postpone all or part of the gain on the sale if you bought qualified replacement property (securities) within the period that began 3 months before the sale and ended 12 months after the sale. If you make the election, you must recognize gain on the sale only to the extent the proceeds from the sale exceed the cost of the qualified replacement property. You must reduce the basis of the replacement property by any postponed gain. If you dispose of any replacement property, you may have to recognize all of the postponed gain.

Generally, to qualify for the election, the ESOP or cooperative must own immediately after the sale at least 30% of the outstanding stock of the corporation that issued the qualified securities. Also, the qualified replacement property must have been issued by a domestic operating corporation.

Similar rules apply to the sale of stock of a qualified refiner or processor to an eligible farmers' cooperative. See section 1042(g) for details and exceptions.

You must make the election no later than the due date (including extensions) for filing your tax return for the year in which you sold the stock. To make the election, report the entire gain realized on the sale on line 8. Directly below the line on which you reported the gain, enter in column (a) "Section 1042 election" and enter as a (loss) in column (f) the amount of the gain you are postponing or expect to postpone. If the actual postponed gain is different from what you expected, file an amended return.

Also attach the following statements:

1. A "statement of election" that indicates you are making an election under section 1042(a) and that includes the following information: **(a)** a description of the securities sold, the date of the sale, the amount realized on the sale, and the adjusted basis of the qualified securities; **(b)** the name of the ESOP or cooperative to which the qualified securities were sold; and **(c)** for a sale that was part of a single, interrelated transaction under a prearranged agreement between taxpayers involving other sales of qualified securities, the names and identifying numbers of the other taxpayers under the agreement and the number of shares sold by the other taxpayers.

2. A notarized "statement of purchase" describing the qualified replacement property, date of purchase, and the cost of the property, and declaring the property to be qualified replacement

property for the qualified stock you sold. The statement must have been notarized no later than 30 days after the purchase. If you have not yet purchased the qualified replacement property, you must attach the notarized "statement of purchase" to your income tax return for the year following the election year (or the election will not be valid).

3. A verified written statement of the domestic corporation whose employees are covered by the ESOP acquiring the qualified securities, or of any authorized officer of the cooperative, consenting to the taxes under sections 4978 and 4979A on certain dispositions and prohibited allocations of the stock purchased by the ESOP or cooperative.

For details, see section 1042 and Temporary Regulations section 1.1042-1T.

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 date 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 to the extent the sale proceeds 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 amounts by one-half if you are married filing separately). Reduce the basis of your SSBIC stock or partnership interest by any postponed gain. If you choose to postpone gain, report the entire gain realized on the sale on line 1 or 8. Directly below the line on which you reported the gain, enter in column (a) "SSBIC Rollover" and enter as a (loss) 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.

Exclusion of Gain on Qualified Small Business Stock (Section 1202)

Section 1202 allows for an exclusion of up to 50% of the eligible gain on the sale or exchange of qualified small business stock. The section 1202 exclusion applies only to qualified small business stock issued after August 10, 1993, and held for more than 5 years. To be **qualified small business stock**, the stock must meet **all** of the following tests:

- It must be stock in a C corporation (i.e., not S corporation stock).
- It must have been originally issued after August 10, 1993.
- As of the date the stock was issued, the corporation was a qualified small business. A qualified small business is a domestic C corporation with total gross assets of \$50 million or less **(a)** at all times after August 9, 1993, and before the stock was issued, and **(b)** immediately after the stock was issued. Gross assets include those of any predecessor of the corporation. All corporations that are members of the same parent-subsidiary controlled group are treated as one corporation.
- You must have acquired the stock at its original issue (either directly or through an underwriter), either in exchange for money or other property or as pay for services (other than as an underwriter) to the corporation. In certain cases, you may meet the test if you acquired the stock from another person who met the test (such as by gift or inheritance) or through a conversion or exchange of qualified small business stock you held.
- During substantially all the time you held the stock:

1. The corporation was a C corporation,
2. At least 80% of the value of the corporation's assets were used in the active conduct of one or more qualified businesses (defined below), and
3. The corporation **was not** a foreign corporation, DISC, former DISC, corporation that has made (or that has a subsidiary that has made) a section 936 election, regulated investment company, real estate investment trust, REMIC, FASIT, or cooperative.

Note: A *specialized small business investment company (SSBIC)* is treated as having met tests 2 and 3 above.

A **qualified business** is any business **other than** the following:

- One involving services performed in the fields of health, law, engineering, architecture, accounting, actuarial sci-

ence, performing arts, consulting, athletics, financial services, or brokerage services.

- One whose principal asset is the reputation or skill of one or more employees.
- Any banking, insurance, financing, leasing, investing, or similar business.
- Any farming business (including the raising or harvesting of trees).
- Any business involving the production of products for which percentage depletion can be claimed.
- Any business of operating a hotel, motel, restaurant, or similar business.

For more details about limits and additional requirements that may apply, see section 1202.

Pass-Through Entities

If you held an interest in a pass-through entity (a partnership, S corporation, or mutual fund or other regulated investment company) that sold qualified small business stock, you must have held the interest on the date the pass-through entity acquired the qualified small business stock and at all times thereafter until the stock was sold to qualify for the exclusion.

How To Report

Report in column (f) of line 8 the entire gain realized on the sale of qualified small business stock. In column (g) of line 8, report as 28% rate gain an amount equal to the section 1202 exclusion. Directly below the line on which you reported the gain, enter in column (a) "Section 1202 exclusion" and enter as a (loss) in column (f) the amount of the allowable exclusion.

Gain From Form 1099-DIV. If you received a Form 1099-DIV with a gain in box 2d, part or all of that gain (which is also included in box 2a) may be eligible for the section 1202 exclusion. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. In column (g), enter the amount of your allowable exclusion as a gain.

Gain From Form 2439. If you received a Form 2439 with a gain in box 1d, part or all of that gain (which is also included in box 1a) may be eligible for the section 1202 exclusion. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. In column (g), enter the amount of your allowable exclusion as a gain.

Alternative Minimum Tax. You must include 42% of the exclusion amount on **Form 6251**, line 14m. Complete Form 6251 to see if you owe this tax.

Rollover of Gain From Qualified Stock

If you sold qualified small business stock (defined above) that you held for more than 6 months, you may postpone gain if you purchase other qualified small business stock during the 60-day period that began on the date of the sale. You must recognize gain to the extent the sale proceeds exceed the cost of the replacement stock. Reduce the basis of the replacement stock by any postponed gain. If you choose to postpone gain, report the entire gain realized on the sale on line 1 or 8. Directly below the line on which you reported the gain, enter in column (a) "Section 1045 Rollover" and enter as a (loss) in column (f) the amount of the postponed gain.

Undistributed Capital Gains

Include on line 11, column (f), the amount from box 1a of **Form 2439**. This represents your share of the undistributed long-term capital gains of the regulated investment company (mutual fund) or real estate investment trust.

Include on line 11, column (g), the amount, if any, from box 1b of Form 2439. If there is an amount in box 1c of Form 2439, see the worksheet for line 25 on page D-7. If there is an amount in box 1d of Form 2439, see **Exclusion of Gain on Qualified Small Business Stock (Section 1202)** on this page.

Enter on Form 1040, line 63, the tax paid as shown in box 2 of Form 2439. Add to the basis of your stock the excess of the amount included in income over the amount of the credit for the tax paid. See Pub. 550 for more details.

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. Use **Form 6252** to report the sale on the installment method. Also use Form 6252 to report any payment received in 1998 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).

Specific Instructions

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 the gain or (loss) on line 8 and enter **"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 enter **"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) 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 8, column (d), to amounts on lines 2 and 9, column (d). Enter the totals on lines 3 and 10.

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.

You can choose to use an average basis for mutual fund shares if you acquired the shares at various times and prices and you left the shares on deposit in an account handled by a custodian or agent who acquired or redeemed those shares. For details on how to figure average basis, see **Pub. 564**.

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, see **Pub. 551**.

Capital Loss Carryover Worksheet—Line 18 (keep for your records)



Use this worksheet to figure your capital loss carryovers from 1998 to 1999 if Schedule D, line 18, is a loss and **(a)** that loss is a smaller loss than the loss on Schedule D, line 17, or **(b)** Form 1040, line 37, is a loss. Otherwise, you do not have any carryovers.

1. Enter the amount from Form 1040, line 37. If a loss, enclose the amount in parentheses 1. _____
 2. Enter the loss from Schedule D, line 18, 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 7 of Schedule D is a loss, go to line 5; otherwise, enter -0- on line 5 and go to line 9.
5. Enter the loss from Schedule D, line 7, as a positive amount 5. _____
 6. Enter any gain from Schedule D, line 16 6. _____
 7. Add lines 4 and 6. 7. _____
 8. **Short-term capital loss carryover to 1999.** Subtract line 7 from line 5. If zero or less, enter -0-. 8. _____
- Note:** If line 16 of Schedule D is a loss, go to line 9; otherwise, skip lines 9 through 13.
9. Enter the loss from Schedule D, line 16, as a positive amount 9. _____
 10. Enter any gain from Schedule D, line 7 10. _____
 11. Subtract line 5 from line 4. If zero or less, enter -0- 11. _____
 12. Add lines 10 and 11 12. _____
 13. **Long-term capital loss carryover to 1999.** Subtract line 12 from line 9. If zero or less, enter -0- 13. _____

Column (f)—Gain or (Loss)

You **must** make a separate entry in this column for each transaction reported on lines 1 and 8 and any other line(s) that applies to you. For lines 1 and 8, subtract the amount in column (e) from the amount in column (d). Enter negative amounts in parentheses.

Column (g)—28% Rate Gain or (Loss)

Enter in column (g) **only** the amount, if any, from Part II, column (f), that is equal to the amount of your section 1202 exclusion from the eligible gain on qualified small business stock (see page D-5) or from collectibles gains and losses. A **collectibles gain or loss** is any long-term gain or loss from the sale or exchange of a collectible that is a capital asset.

Collectibles include works of art, rugs, antiques, metals (such as gold, silver, and platinum bullion), gems, stamps, coins, alcoholic beverages, and certain other tangible property.

Also include gain from the sale of an interest in a partnership, S corporation, or trust attributable to unrealized appreciation of collectibles.

Lines 1 and 8

Enter all sales and exchanges of capital assets, including stocks, bonds, etc., and real estate (if not reported on Form 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 they are based on the descriptions of the property as shown on Form 1099-B or 1099-S (or substitute statement).

Use **Schedule D-1** if you need more space to list transactions for lines 1 and 8. Use as many Schedules D-1 as you need. Enter on Schedule D, lines 2 and 9, the combined totals from all your Schedules D-1.

Caution: Add the following amounts reported to you for 1998 on Forms 1099-B and 1099-S (or substitute statements): (a) proceeds from transactions involving stocks, bonds, and other securities, and (b) 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 10, attach an explanation of the difference.

Unrecaptured Section 1250 Gain Worksheet—Line 25 (keep for your records)



Note: For each section 1250 property in Part III of Form 4797 for which you had an entry in column (g), but not in column (h), of Part I of Form 4797, complete lines 1 through 3. If you had more than one such property, complete lines 1 through 3 for each property on a separate worksheet. Enter the total of the line 3 amounts for all properties on line 3 and go to line 4. If your only unrecaptured section 1250 gain was from a partnership or an S corporation, go to line 4. If your only unrecaptured section 1250 gain was from an estate, trust, real estate investment trust, or mutual fund (or other regulated investment company), go to line 11.

1. If you had a section 1250 property in Part III of Form 4797 for which you had an entry in column (g), but not in column (h), of Part I of Form 4797, enter the **smaller** of line 22 or line 24 of Form 4797 for that property 1. _____
 2. Enter the amount from Form 4797, line 26g, for the property for which you made an entry on line 1 2. _____
 3. Subtract line 2 from line 1 3. _____
 4. Enter the total of any amounts reported to you on Schedules K-1 from a partnership or an S corporation as "unrecaptured section 1250 gain." Also include gain from the sale of an interest in a partnership attributable to unrecaptured section 1250 gain 4. _____
 5. Add lines 3 and 4 5. _____
 6. Enter the smaller of line 5 or the gain, if any, from Form 4797, line 7, column (g) 6. _____
- Note:** If you did not have an entry on Form 4797, line 8, enter the amount from line 6 above on line 10 below and go to line 11 below.
7. Enter the amount from Form 4797, line 8, column (g) 7. _____
 8. Enter the amount from Form 4797, line 8, column (h) 8. _____
 9. Subtract line 8 from line 7 9. _____
 10. Subtract line 9 from line 6 10. _____
 11. Enter the total of any amounts reported to you on Schedules K-1 and Forms 1099-DIV and 2439 as "unrecaptured section 1250 gain" from an estate, trust, real estate investment trust, or mutual fund (or other regulated investment company) 11. _____
 12. Add lines 10 and 11 12. _____
 13. Enter the gain or (loss) from Schedule D, line 15 13. _____
 14. Enter the (loss), if any, from Schedule D, line 7. If Schedule D, line 7, is zero or a gain, enter -0- 14. _____
 15. Combine lines 13 and 14.
 - If the result is zero or a gain, enter -0-.
 - If the result is a (loss), enter it as a positive amount 15. _____
 16. Subtract line 15 from line 12. If zero or less, enter -0-. Enter the result on Schedule D, line 25 16. _____

1998 Instructions for Schedule E, Supplemental Income and Loss

Use Schedule E (Form 1040) to report income or loss from rental real estate, royalties, partnerships, S corporations, estates, trusts, and residual interests in REMICs.

You may attach your own schedule(s) to report income or loss from any of these sources. Use the same format as on Schedule E.

Enter separately on Schedule E the total income and the total loss for each part. Enclose loss figures in (parentheses).

Part I

Income or Loss From Rental Real Estate and Royalties

Use Part I to report:

- Income and expenses from rentals of real estate (including personal property leased with real estate), and
- Royalty income and expenses.

See the instructions for lines 3 and 4 to determine if you should report your rental real estate and royalty income on Schedule C, Schedule C-EZ, or **Form 4835** instead.

If you own a part interest in a rental real estate property, report only your part of the income and expenses on Schedule E.

If you have more than three rental real estate or royalty properties, complete and attach as many Schedules E as you need to list them. Complete lines 1 and 2 for each property. But fill in the "Totals" column only on one Schedule E. The figures in the "Totals" column on that Schedule E should be the combined totals of all your Schedules E.

If you are also using page 2 of Schedule E, use the same Schedule E on which you entered the combined totals for Part I.

Personal Property. 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. You are in the business of renting personal property 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 32, to find out how to report the income and expenses.

Filers of Form 1041

If you are a fiduciary filing Schedule E with Form 1041, enter the estate's or trust's employer identification number (EIN) 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).
- The street address, city or town, and state. You do not have to give the ZIP code.
- Your percentage of ownership in this property, if less than 100%.

Line 2

If you rented out a dwelling unit that you also used for **personal purposes** during the year, you may not be able to deduct all the expenses for the rental part. "Dwelling unit" (unit) means a house, apartment, condominium, or similar property.

Check "Yes" if you or your family used the unit for personal purposes in 1998 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), unless the unit is rented at

a fair rental price to that person as his or her main home.

- Anyone who pays less than a fair rental price for the unit.
- Anyone under an agreement that lets you use some other unit.

Do not count 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-3 and E-4.

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. If you itemize deductions on Schedule A, 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 all of the following expenses for the rental part on Schedule E:

- Mortgage interest.
- Real estate taxes.
- Casualty losses.
- Other rental expenses not related to your use of the unit as a home, such as advertising expenses and rental agents' fees.

If any income is left after deducting these expenses, you can then deduct other expenses, including depreciation. But you cannot deduct more expenses

than the income that is left. You can carry over the amounts you cannot deduct to 1999.

See **Pub. 527** for more details.

Line 3

If you were not in the real estate sales business but you received rental income 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, such as maid service, report the rental on Schedule C or C-EZ, not on Schedule E. Significant services **do not** include the furnishing of heat and light, cleaning of public areas, trash collection, etc.

If you were in the real estate sales business, include on line 3 only the rent received from real estate (including personal property leased with real estate) you held for investment or speculation. Do not use Schedule E to report income and expenses from rentals of real estate held for sale to customers in the ordinary course of your real estate sales business. Instead, use Schedule C or C-EZ for these rentals.

For more details on rental income, use TeleTax topic 414 (see page 9 of the Form 1040 instructions) or see Pub. 527.

Rental Income From Farm Production or Crop Shares. Report farm rental income and expenses on Form 4835 if:

- You received rental income based on crops or livestock produced by the tenant, **and**
- You did not manage or operate the farm to any great extent.

Line 4

Report on line 4 **royalties** from oil, gas, or mineral properties (not including operating interests); copyrights; and patents. Enter your total royalties in the "Totals" column.

If you received \$10 or more in royalties during 1998, you should receive a **Form 1099-MISC** or similar statement, showing them. The payer must send this statement to you by February 1, 1999.

If you are in business as a self-employed writer, inventor, artist, etc.,

report your royalty 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, see **Pub. 544**.

Enter on line 4 the gross amount of royalty income, even if state or local taxes were withheld from oil or gas payments you received. Include taxes withheld by the producer on line 16.

General Instructions for Lines 5 Through 21

Enter your rental and royalty expenses for each property in the appropriate column. You can deduct all ordinary and necessary expenses, such as taxes, interest, repairs, insurance, management fees, agents' commissions, and depreciation.

Do not deduct the value of your own labor or amounts paid for capital investments or capital improvements.

Enter your total expenses for mortgage interest (line 12), total expenses before depreciation expense or depletion (line 19), and depreciation expenses or depletion (line 20) in the "Totals" column even if you have only one property.

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 applies 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 1998 to provide access to your business for individuals with disabilities. See **Form 8826** for details.

You can also deduct up to \$15,000 of qualified costs paid or incurred in 1998 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. See **Pub. 535** for details.

Line 6

You may deduct ordinary and necessary auto and travel expenses related to your rental activities, including 50% of meal expenses incurred while traveling away from home. If you own or lease your auto, you generally can deduct

either your actual expenses or take the standard mileage rate. You **must** use actual expenses if you use more than one vehicle simultaneously in your rental activities (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., and
- 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 32.5 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** and attach Form 4562 to your return.

See Pub. 527 and **Pub. 463** for more details.

Line 10

Include on line 10 fees for tax advice related to your rental real estate or royalty properties and for preparation of the tax forms related to those properties.

Do not deduct legal fees paid or incurred to defend or protect title to property, to recover property, or to develop or improve property. Instead, you must capitalize these fees and add them to the property's basis.

Lines 12 and 13

In general, to determine the interest expense allocable to your rental activities, you must have 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 1998 to banks or other financial institutions. Be sure to fill in the "Totals" column.

Do not deduct prepaid interest when you paid it. You can deduct it only in the year to which it is properly allocable. Points (including loan origination fees) charged only for the use of money must be deducted over the life of the loan.

If you paid \$600 or more in interest on a mortgage, the recipient should send you a **Form 1098** or similar statement by February 1, 1999, showing the total interest received from you during 1998.

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 entire 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

You may deduct the actual cost of ordinary and necessary telephone calls that are related to your rental activities or royalty income (e.g., calls to the renter). However, the base rate (including taxes and other charges) for local telephone service for the first telephone line into your residence is a personal expense and is not deductible.

Line 20

Depreciation is the annual deduction you must take to recover the cost or other basis of business or investment property with a useful life of more than 1 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.

See the Instructions for Form 4562 to figure the amount of depreciation to enter 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 first placed in service during 1998, 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 1998.

See Pub. 527 for more information on depreciation of residential rental property. See **Pub. 946** for a more comprehensive guide to 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, you must complete **Form 6198** to figure your allowable loss if you have:

- A loss from an activity carried on as a trade or business or for the production of income, **and**
- Amounts in the activity for which you are not at risk.

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, the at-risk rules do not apply to losses from an activity of holding real property, if you acquired your interest in the activity before 1987 and the property was 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). However, 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 is treated as an amount at risk if it is secured by real property used in an activity of holding real property that is subject to the at-risk rules. 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 **cannot** be:

- Related to you (unless the nonrecourse financing obtained 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, use Form 6198 to determine the amount of your deductible loss. 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

Note: *Do not complete line 23 if the amount on line 22 is from royalty properties.*

If you have a rental real estate loss from a passive activity (defined later), the amount of loss you can deduct may be limited by the passive activity loss rules. You may need to complete **Form 8582** to figure the amount of loss, if any, to enter on line 23.

If your rental real estate loss is not from a passive activity **OR** you meet the following exception, you do not have to complete Form 8582. Enter the loss from line 22 on line 23.

Exception for Certain Rental Real Estate Activities. If you meet **ALL THREE** of the following conditions, your rental real estate losses are not limited by the passive activity loss rules. If you **do not** meet **ALL THREE** of these conditions, see the Instructions for Form

8582 to find out if you must complete and attach Form 8582.

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).

Active Participation. You can meet the active participation requirement without regular, continuous, and substantial involvement in real estate activities. 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. Such management decisions include:

- Approving new tenants.
- Deciding on rental terms.
- Approving capital or repair expenditures.
- 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 33, without taking into account:

- Any passive activity loss.
- Rental real estate losses allowed under the exception for real estate professionals (explained on this page).
- 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.
- The student loan interest deduction.

- The deduction for one-half of self-employment tax.

- The exclusion of amounts received under an employer's adoption assistance program.

However, if you file **Form 8815**, include in your modified adjusted gross income the savings bond 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. These rules apply to losses in Parts I, II, and III, and line 39 of Schedule E.

Losses from passive activities may be subject first to the at-risk rules. Losses deductible under the at-risk rules are then subject to the passive activity loss rules.

You generally can deduct losses from passive activities only to the extent of income from passive activities. An exception applies to certain rental real estate activities (as previously explained).

Passive Activity. A passive activity is any business activity in which you **do not** materially participate and any rental activity, except as provided on this page. If you are a limited partner, you generally are not treated as having materially participated in the partnership's activities for the year.

The rental of real or personal property is generally a rental activity under the passive activity loss rules, but exceptions apply. 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 to determine whether you materially participated in the activity and for the definition of "rental activity."

See **Pub. 925** for special rules that apply to rentals of:

- Substantially nondepreciable property.
- Property incidental to development activities.
- Property to activities in which you materially participate.

Exception for Real Estate Professionals. If you were a real estate professional in 1998, 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 your interests in rental real estate as one activity. To make this election, attach a statement to your original tax return that declares you are a qualifying taxpayer for the year and you are making the election under Internal Revenue Code section 469(c)(7)(A). The election applies for the year made and all later years in which you are a real estate professional. You may revoke the election only if your facts and circumstances materially change.

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 1998, complete line 42 on page 2 of Schedule E.

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 generally is 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 need more space in Part II or III to list your income or losses, attach a continuation sheet using the same format as shown in Part II or 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. Complete and attach **Form 8271** if you are reporting any deduction, loss, credit, other tax benefit, or income from an interest purchased or otherwise acquired in a tax shelter.

Form 8271 is used to report the name, tax shelter registration number, and identifying number of the tax shelter. There is a \$250 penalty if you do not report the registration number of the tax shelter 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 for the alternative minimum tax on **Form 6251** or Schedule I of **Form 1041**.

Part II

Income or Loss From 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. You should also receive a copy of the Partner's or Shareholder's Instructions for Schedule K-1. Your copy of Schedule K-1 and its instructions will tell you where on your return to report your share of the items. If you did not receive these instructions with your Schedule K-1, see page 6 of the Form 1040 instructions for how to get a copy. **Do not** attach Schedules K-1 to your return. Keep them for your records.

If you are treating items on your tax return differently from the way the partnership or S corporation reported them

on its return, you may have to file **Form 8082**.

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 and Passive Activity Loss Rules** on pages E-3 and E-4.

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 any deductible loss from Form 6198 on the appropriate line 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.

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 Part II, column (i). However, 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 1997 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 1997.

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.

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**. 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.

S Corporations

If you are 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 the Schedule K-1 instructions 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.

Distributions of prior year accumulated earnings and profits of S corporations are dividends and are reported on Form 1040, line 9.

Interest expense relating to the acquisition of shares in an S corporation may be fully deductible on Schedule E. For details, see Pub. 535.

Your share of the net income of an S corporation is NOT subject to self-employment tax.

Part III

Income or Loss From 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. Your copy of Schedule K-1 and its instructions will tell you where on your return to report the items from Schedule K-1. **Do not** attach Schedule K-1 to your return. Keep it for your records.

If you are treating items on your tax return differently from the way the estate or trust reported them on its return, you may have to file Form 8082.

If you have estimated taxes credited to you from a trust (Schedule K-1, line 14a), 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 58.

A U.S. person who transferred property to a foreign trust may have to report the income received by the trust as a result of the transferred property if, during 1998, the trust had a U.S. beneficiary. For details, see **Form 3520**.

Part IV

Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)

If you are the holder of a residual interest in a real estate mortgage investment conduit (REMIC), use Part IV to report your total share of the REMIC's taxable income or loss for each quarter included in your tax year. You should receive **Schedule Q** (Form 1066) and instructions from the REMIC for each quarter. **Do not** attach Schedules Q to your return. Keep them for your records.

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.

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.

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.*

Column (c). Report the total of the amounts shown on Schedule(s) Q, line 2c. This is the **smallest** amount you are allowed to report as your taxable income (Form 1040, line 39). It is also the **smallest** amount you are allowed to report as your alternative minimum taxable income (AMTI) (Form 6251, line 21).

If the amount in column (c) is larger than your taxable income would otherwise be, enter the amount from column (c) on Form 1040, line 39. Similarly, if the amount in column (c) is larger than your AMTI would otherwise be, enter the amount from column (c) on Form 6251, line 21. Write "Sch. Q" on the dotted line to the left of this amount on Forms 1040 and 6251.

Note: *These rules also apply to estates and trusts that hold a residual interest in a REMIC. Be sure to make the appropriate entries on the comparable lines on Form 1041.*

Caution: *Do not include the amount shown in column (c) in the total on line 38 of Schedule E.*

Column (e). Report the total of the amounts shown on Schedule(s) Q, line 3b. If you itemize your deductions on Schedule A, include this amount on line 22.

Part V

Summary

Line 41

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

1. Your gross farming or fishing income for 1997 or 1998 is at least two-thirds of your gross income, and
 2. You file your 1998 tax return and pay the tax due by March 1, 1999.
-

1998 Instructions for Schedule F, Profit or Loss From Farming

Use Schedule F (Form 1040) to report farm income and expenses. File it with Form 1040, 1041, 1065, or 1065-B.

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 has samples of filled-in forms and schedules, and lists important dates that apply to farmers.

General Instructions

Changes To Note

New Agricultural Codes. The new principal agricultural activity (PAA) codes in Part IV of Schedule F are based on the North American Industry Classification System (NAICS), which was developed by the statistical agencies of Canada, Mexico, and the United States in cooperation with the Office of Management and Budget. The NAICS-based codes replace the PAA codes previously based on the Standard Industrial Classification (SIC) system.

Farm Production Flexibility Contract Payments. For tax years ending after 1995, farm production flexibility contract payments received by cash method taxpayers under the Federal Agriculture Improvement and Reform Act of 1996 are required to be included in income only in the year of actual receipt, even if they were constructively received in an earlier year under section 112(d)(2) or (3) of that Act. Because this change is retroactive, you may need to file an amended return for an earlier tax year.

Farm Income Averaging. Effective for tax years beginning after 1997, you may be able to reduce your tax if you choose to average your farm income over the previous 3 years. For details, see **Schedule J (Form 1040)**, Farm Income Averaging, and its instructions.

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 1998, to claim amortization that began in 1998, 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. See **Form 2290** to find out 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, see 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, see **Pub. 1544**.

Estimated Tax

If you had to make estimated tax payments in 1998 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 1997 or 1998 is at least two-thirds of your gross income, **and**
2. You file your 1998 tax return and pay the tax due by March 1, 1999.

For more details, see Pub. 225.

Specific Instructions

Filers of Forms 1041, 1065, and 1065-B

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 14 **new** 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.

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. See **Pub. 538** 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**.

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 G, on page C-2.

If you meet any of the material participation tests described in the line G instructions for Schedule C, check the "Yes" box.

If you are a retired or disabled farmer, you are treated as materially participat-

ing 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** below. 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**.

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, see **Pub. 925**.

Part I. Farm Income—Cash Method

In Part I, show income received for items listed on lines 1 through 10. Generally, 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. However, farm production flexibility contract payments received under the Federal Agriculture Improvement and Reform Act of 1996 are required to be included in income only in the year of actual receipt, even if they were constructively received in an earlier year under section 112(d)(2) or (3) of that Act.

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 Weather-Related Conditions

If you sold livestock because of a drought, flood, or other weather-related conditions, you can elect to report the income from the sale in the year after

the year of sale if **all** of the following apply:

- Your main business is farming.
- You can show that you sold the livestock only because of weather-related conditions.
- 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 1998, 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:

- 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).

These amounts 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.

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 1998 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.

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 1998 was the year of damage, you may elect to include certain proceeds in income for 1999. 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 1998, even if you elect to include them in income for 1999.

Enter on line 8b the taxable amount of the proceeds you received in 1998.

Do not include proceeds you elect to include in income for 1999.

Enter on line 8d the amount, if any, of crop insurance proceeds you received in 1997 and elected to include in income for 1998.

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**, or similar statement, by February 1, 1999, showing the amount of debt canceled in 1998. However, certain solvent farmers may exclude discharged qualified farm indebtedness from income. For information on whether you must include any discharge of indebtedness in income, see Pub. 225.
- State gasoline or fuel tax refund you got in 1998.
- The amount of credit for Federal tax paid on fuels claimed on your 1997 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 1998. Use **Form 4797** to figure the recapture. See the instructions for Schedule C (Form 1040), line 13, on page C-4 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. See **Pub. 946** 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, see **Pub. 535**.

• 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-6 for more details.

If you revoked an election made before 1989 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 expenses of running your car or truck, or take the standard mileage rate. You may use the standard mileage rate even if you lease your vehicle. You **must** use actual expenses if you used more than one vehicle simultaneously in your business (such as in fleet operations).

If you deduct actual expenses:

- Include on line 12 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc., and
- Show depreciation on line 16 and rent or lease payments on line 26a.

If you choose to take the standard mileage rate, you **cannot** deduct depreciation, rent or lease payments, or your actual operating expenses. To take the standard mileage rate, multiply the number of business miles by 32.5 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**. Be sure to attach Form 4562 to your return.

For more details, get **Pub. 463**.

Line 14

Deductible soil and water conservation expenses generally are those that are paid to conserve soil and water or to prevent erosion of land used for farming. These expenses include (but are not limited to) the cost of leveling, grading and terracing, contour furrowing, the construction, control, and protection of diversion channels, drainage ditches, earthen dams, watercourses, outlets and ponds, the eradication of brush, and the planting of windbreaks.

These expenses can be deducted only if they are consistent with a conservation plan approved by the Natural Resources Conservation Service (NRCS) 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.

Do not deduct expenses you pay or incur to drain or fill wetlands, to prepare land for center pivot irrigation systems, or to clear land.

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.

For more details, see Pub. 225.

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 1998 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-4.

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 28, 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 page 28 of the Form 1040 instructions 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-4.

Line 20

Do not include the cost of transportation incurred in purchasing livestock held for resale as freight paid. Instead, add these costs to the cost of the livestock, and deduct them when the livestock is 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. See 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 1998 to banks or other financial institutions for which you received a **Form 1098**.

If you did not receive a Form 1098 from the recipient, report your mortgage interest on line 23b.

If you paid more mortgage interest 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 1998 for later years; include only the part that applies to 1998.

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**, Work Opportunity Credit.

• **Form 8844**, Empowerment Zone Employment Credit.

• **Form 8845**, Indian Employment Credit.

• **Form 8861**, Welfare-to-Work 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-5.

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), lines 20a and 20b, on page C-5.

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 27.

• 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-6.

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, see Pub. 535. For amortization that begins in 1998, 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 allowable to this activity in 1998.

Bad Debts. 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** to figure your allowable deduction. **Do not use Form 8829.**

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-5.

Preproductive Period Expenses. Enter in parentheses on line 34f, preproductive period expenses that are capitalized. If you had preproductive period expenses in 1998 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-4 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 (or Form 1065-B, line 7).

If you have a net profit on line 36, this amount is earned income and may qual-

ify you for the earned income credit if you meet certain conditions. See the Instructions for Form 1040, lines 59a and 59b, on page 36 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** 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, the processing of your tax return may be delayed.

Any loss from this activity not allowed for 1998 because of the at-risk rules is

treated as a deduction allocable to the activity in 1999.

For more details, see Pub. 925. 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. See Pub. 538 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-3.

Lines 43 and 44

See the instructions for lines 9 and 10 on page F-3.

1998 Instructions for Schedule J, Farm Income Averaging

Use Schedule J (Form 1040) to make the election to figure your 1998 tax liability by averaging, over the previous 3 years, all or part of your 1998 taxable income from your trade or business of farming. Making this election may give you a lower tax if your 1998 income from farming is high and your taxable income for one or more of the 3 prior years was low.

General Instructions

Caution: If you owe alternative minimum tax for 1998 (figured without regard to income averaging), filing Schedule J will not reduce your total tax for 1998. Filing Schedule J may, however, increase your credit for prior year minimum tax in a later tax year.

You will need copies of your income tax returns for 1995, 1996, and 1997 in order to figure your tax on Schedule J. If you do not have copies of the returns you filed in those years, you can get them by filing **Form 4506**. See your Form 1040 instruction booklet to find out how to get this form.

This election does not affect your alternative minimum tax. In addition, you do not have to recompute, because of the election, the tax liability of any minor child who was required to use your tax rates in the prior years.

Specific Instructions

Line 2

Elected Farm Income

To figure elected farm income, first figure your taxable income from farming. **Taxable income from farming** includes all income, gains, losses, and deductions attributable to any farming business. However, it does not include gain from the sale or other disposition of land. Generally, farm income, gains, losses, and deductions are reported on:

- Schedule D,
- Schedule E, Part II,
- Schedule F, and
- Form 4797.

Your **elected farm income** is the amount of your taxable income from farming that you choose to include on

line 2. You do not have to include all of your taxable income from farming on line 2. It may be to your advantage to include less than the full amount, depending on how the amount you include on line 2 affects your tax bracket for the current and prior 3 tax years.



If your taxable income from farming is more than the amount shown on line 1, you should not enter on line 2 more than the amount shown on line 1. Otherwise, you may not receive the maximum benefit from income averaging.

Farming Business. A farming business is the trade or business of cultivating land or raising or harvesting any agricultural or horticultural commodity. This includes:

- Operating a nursery or sod farm.
- Raising or harvesting of trees bearing fruits, nuts, or other crops.
- Raising ornamental trees (but not evergreen trees that are more than 6 years old when severed from the roots).
- Raising, shearing, feeding, caring for, training, and managing animals.

A farming business **does not** include:

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

Line 4

Refigure your **1998** tax liability by using the Tax Table or Tax Rate Schedules from your 1998 Form 1040 instruction booklet or Schedule D and enter it on line 4.

Lines 5, 9, and 13

If you did not file a return for any year from 1995 through 1997, enter on the applicable line the amount otherwise reportable. If you filed using TeleFile, enter on the applicable line your taxable income from line E of the 1995 TeleFile Worksheet or line J of the 1996 or 1997 TeleFile Tax Record. If the amount reported on your return for any year was changed by an amended return or by the IRS, enter on the applicable line the corrected amount.

Line 8

Refigure your 1995 tax liability by using one of the following:

- The Tax Rate Schedules shown below, or
- The Capital Gain Tax Worksheet shown below.

1995 Tax Rate Schedules

Schedule X—Use if your filing status is Single				Schedule Y-2—Use if your filing status is Married filing separately			
If the amount on Schedule J, line 7, is:	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>	If the amount on Schedule J, line 7, is:	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>
\$0	\$23,350	15%	\$0	\$0	\$19,500	15%	\$0
23,350	56,550	\$3,502.50 + 28%	23,350	19,500	47,125	\$2,925.00 + 28%	19,500
56,550	117,950	12,798.50 + 31%	56,550	47,125	71,800	10,660.00 + 31%	47,125
117,950	256,500	31,832.50 + 36%	117,950	71,800	128,250	18,309.25 + 36%	71,800
256,500	.....	81,710.50 + 39.6%	256,500	128,250	.....	38,631.25 + 39.6%	128,250
Schedule Y-1—Use if your filing status is Married filing jointly or Qualifying widow(er)				Schedule Z—Use if your filing status is Head of household			
If the amount on Schedule J, line 7, is:	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>	If the amount on Schedule J, line 7, is:	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>
\$0	\$39,000	15%	\$0	\$0	\$31,250	15%	\$0
39,000	94,250	\$5,850.00 + 28%	39,000	31,250	80,750	\$4,687.50 + 28%	31,250
94,250	143,600	21,320.00 + 31%	94,250	80,750	130,800	18,547.50 + 31%	80,750
143,600	256,500	36,618.50 + 36%	143,600	130,800	256,500	34,063.00 + 36%	130,800
256,500	.....	77,262.50 + 39.6%	256,500	256,500	.....	79,315.00 + 39.6%	256,500



1995 Capital Gain Tax Worksheet (keep for your records)

Use this worksheet to figure your tax on line 8 of Schedule J **only** if (a) Schedule D applies for 1995 and both lines 17 and 18 of Schedule D (as refigured) are gains, or (b) you reported capital gain distributions directly on your 1995 Form 1040, line 13, **and**:

Your filing status is:	AND	Schedule J, line 7, is over:	Your filing status is:	AND	Schedule J, line 7, is over:
Single		\$56,550	Married filing separately		\$47,125
Married filing jointly or Qualifying widow(er)		\$94,250	Head of household		\$80,750

- Enter the amount from Schedule J, line 7 1. _____
- If Schedule D applies for 1995, enter the **smaller** of Schedule D, line 17 or line 18 (as refigured). Otherwise, enter the capital gain distributions reported on your 1995 Form 1040, line 13 2. _____
- If you filed a 1995 Form 4952, enter the amount from Form 4952, line 4e 3. _____
- Subtract line 3 from line 2. If zero or less, **stop here**; you **cannot** use this worksheet to figure your tax. Instead, use the 1995 Tax Rate Schedules shown above 4. _____
- Subtract line 4 from line 1 5. _____
- Enter \$23,350 if single; \$39,000 if married filing jointly or qualifying widow(er); \$19,500 if married filing separately; or \$31,250 if head of household 6. _____
- Enter the **larger** of line 5 or line 6 7. _____
- Subtract line 7 from line 1 8. _____
- Figure the tax on the amount on line 7. Use the 1995 Tax Rate Schedules shown above 9. _____
- Multiply line 8 by 28% (.28) 10. _____
- Add lines 9 and 10 11. _____
- Figure the tax on the amount on line 1. Use the 1995 Tax Rate Schedules shown above 12. _____
- Tax.** Enter the **smaller** of line 11 or line 12 here and on Schedule J, line 8 13. _____

Line 12

Refigure your 1996 tax liability by using one of the following:

- The 1996 Tax Rate Schedules shown below, or
- The Capital Gain Tax Worksheet shown below.

1996 Tax Rate Schedules

Schedule X—Use if your filing status is Single				Schedule Y-2—Use if your filing status is Married filing separately			
If the amount on Schedule J, line 11, is: <i>But not Over—</i>	<i>Over—</i>	Enter on Schedule J, line 12	<i>of the amount over—</i>	If the amount on Schedule J, line 11, is: <i>But not Over—</i>	<i>Over—</i>	Enter on Schedule J, line 12	<i>of the amount over—</i>
\$0	\$24,000	15%	\$0	\$0	\$20,050	15%	\$0
24,000	58,150	\$3,600.00 + 28%	24,000	20,050	48,450	\$3,007.50 + 28%	20,050
58,150	121,300	13,162.00 + 31%	58,150	48,450	73,850	10,959.50 + 31%	48,450
121,300	263,750	32,738.50 + 36%	121,300	73,850	131,875	18,833.50 + 36%	73,850
263,750	.....	84,020.50 + 39.6%	263,750	131,875	.....	39,722.50 + 39.6%	131,875
Schedule Y-1—Use if your filing status is Married filing jointly or Qualifying widow(er)				Schedule Z—Use if your filing status is Head of household			
If the amount on Schedule J, line 11, is: <i>But not Over—</i>	<i>Over—</i>	Enter on Schedule J, line 12	<i>of the amount over—</i>	If the amount on Schedule J, line 11, is: <i>But not Over—</i>	<i>Over—</i>	Enter on Schedule J, line 12	<i>of the amount over—</i>
\$0	\$40,100	15%	\$0	\$0	\$32,150	15%	\$0
40,100	96,900	\$6,015.00 + 28%	40,100	32,150	83,050	\$4,822.50 + 28%	32,150
96,900	147,700	21,919.00 + 31%	96,900	83,050	134,500	19,074.50 + 31%	83,050
147,700	263,750	37,667.00 + 36%	147,700	134,500	263,750	35,024.00 + 36%	134,500
263,750	.....	79,445.00 + 39.6%	263,750	263,750	.....	81,554.00 + 39.6%	263,750



1996 Capital Gain Tax Worksheet (keep for your records)

Use this worksheet to figure your tax on line 12 of Schedule J **only** if (a) Schedule D applies for 1996 and both lines 17 and 18 of Schedule D (as refigured) are gains, or (b) you reported capital gain distributions directly on your 1996 Form 1040, line 13 **and**:

Your filing status is:	AND	Schedule J, line 11, is over:	Your filing status is:	AND	Schedule J, line 11, is over:
Single		\$58,150	Married filing separately		\$48,450
Married filing jointly or Qualifying widow(er)		\$96,900	Head of household		\$83,050

- Enter the amount from Schedule J, line 11 1. _____
- If Schedule D applies for 1996, enter the **smaller** of Schedule D, line 17 or line 18 (as refigured). Otherwise, enter the capital gain distributions reported on your 1996 Form 1040, line 13 2. _____
- If you filed a 1996 Form 4952, enter the amount from Form 4952, line 4e 3. _____
- Subtract line 3 from line 2. If zero or less, **stop here**; you **cannot** use this worksheet to figure your tax. Instead, use the 1996 Tax Rate Schedules shown above 4. _____
- Subtract line 4 from line 1 5. _____
- Enter \$24,000 if single; \$40,100 if married filing jointly or qualifying widow(er); \$20,050 if married filing separately; or \$32,150 if head of household 6. _____
- Enter the **larger** of line 5 or line 6 7. _____
- Subtract line 7 from line 1 8. _____
- Figure the tax on the amount on line 7. Use the 1996 Tax Rate Schedules shown above 9. _____
- Multiply line 8 by 28% (.28) 10. _____
- Add lines 9 and 10 11. _____
- Figure the tax on the amount on line 1. Use the 1996 Tax Rate Schedules shown above 12. _____
- Tax.** Enter the **smaller** of line 11 or line 12 here and on Schedule J, line 12 13. _____

Line 16

Refigure your 1997 tax liability by using one of the following:

- The 1997 Tax Rate Schedules shown below, or
- The Schedule D you filed in 1997 (but use the 1997 Tax Rate Schedules shown below instead of the Tax Table when figuring the tax on Schedule D, lines 33 and 53).

1997 Tax Rate Schedules

Schedule X—Use if your filing status is Single				Schedule Y-2—Use if your filing status is Married filing separately			
If the amount on Schedule J, line 15, is:		Enter on Schedule J, line 16		If the amount on Schedule J, line 15, is:		Enter on Schedule J, line 16	
<i>Over—</i>	<i>But not over—</i>	<i>of the amount over—</i>		<i>Over—</i>	<i>But not over—</i>	<i>of the amount over—</i>	
\$0	\$24,650	.....	15%	\$0	\$20,600	.....	15%
24,650	59,750	\$3,697.50 +	28%	20,600	49,800	\$3,090.00 +	28%
59,750	124,650	13,525.50 +	31%	49,800	75,875	11,266.00 +	31%
124,650	271,050	33,644.50 +	36%	75,875	135,525	19,349.25 +	36%
271,050	.....	86,348.50 +	39.6%	135,525	.....	40,823.25 +	39.6%
24,650		24,650		20,600		20,600	
59,750		59,750		49,800		49,800	
124,650		124,650		75,875		75,875	
271,050		271,050		135,525		135,525	
Schedule Y-1—Use if your filing status is Married filing jointly or Qualifying widow(er)				Schedule Z—Use if your filing status is Head of household			
If the amount on Schedule J, line 15, is:		Enter on Schedule J, line 16		If the amount on Schedule J, line 15, is:		Enter on Schedule J, line 16	
<i>Over—</i>	<i>But not over—</i>	<i>of the amount over—</i>		<i>Over—</i>	<i>But not over—</i>	<i>of the amount over—</i>	
\$0	\$41,200	.....	15%	\$0	\$33,050	.....	15%
41,200	99,600	\$6,180.00 +	28%	33,050	85,350	\$4,957.50 +	28%
99,600	151,750	22,532.00 +	31%	85,350	138,200	19,601.50 +	31%
151,750	271,050	38,698.50 +	36%	138,200	271,050	35,985.00 +	36%
271,050	.....	81,646.50 +	39.6%	271,050	.....	83,811.00 +	39.6%
41,200		41,200		33,050		33,050	
99,600		99,600		85,350		85,350	
151,750		151,750		138,200		138,200	
271,050		271,050		271,050		271,050	

Lines 18, 19, and 20

If you filed using TeleFile, enter on the applicable line your tax from line E of the 1995 TeleFile Worksheet or line J of the 1996 or 1997 TeleFile Tax Record. If the amount reported on your return for any year was changed by an amended return or by the IRS, enter on the applicable line the corrected amount.

1998

Instructions for Schedule SE, Self-Employment Tax

Use Schedule SE (Form 1040) 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. See Pub. 533 for more details.

General Instructions

Changes To Note

- For 1998, the maximum amount of self-employment income subject to social security tax is \$68,400.
- Beginning in 1998, certain termination payments received by former insurance salespersons are not included in net earnings from self-employment. See page SE-3 for more details.

Who Must File Schedule SE

You must file Schedule SE if:

1. You were self-employed and your net earnings from self-employment from other than church employee income were \$400 or more, or
2. You had church employee income of \$108.28 or more—see **Employees of Churches and Church Organizations** below.

Who Must Pay Self-Employment (SE) Tax?

Self-Employed Persons

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

In most cases, you must pay SE tax on salaries and other income for services you performed as a minister, a member of a religious order who has not taken a vow of poverty, or a Christian Science practitioner. But if you filed **Form 4361** and received IRS approval, you will be exempt from paying SE tax on those net earnings. If you had no other income subject to SE tax, write "Exempt-Form 4361" on line 50 of Form 1040. However, if you had 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 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.
- However, **do not** include on line 2:
- Retirement benefits you received from a church plan after retirement, or
 - The rental value of a home or an allowance for a home furnished to you (including payments for utilities) after retirement.

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 your 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, see **Pub. 517**.

Members of Certain Religious Sects

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 received IRS approval by filing **Form 4029**. In this case, do not file Schedule SE. Instead, write "Exempt-Form 4029" on Form 1040, line 50. See Pub. 517 for more details.

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) for services performed in the United States, Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), or the Virgin Islands. Report income from this employment on Schedule SE (Section A or B), line 2. If you performed services elsewhere as an employee of 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.

Exception. The United States has social security agreements with many countries to eliminate dual taxes under two social security systems. Under these agreements, you must generally pay social security and Medicare taxes to only the country you live in.

The United States now has social security agreements with the following countries: Austria, Belgium, Canada, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. Additional agreements are expected in the future. For more information, contact:

Social Security Administration
Office of International Programs
P.O. Box 17741
Baltimore, MD 21235

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. However, if one spouse qualifies to use Short Schedule SE and the other has to use Long Schedule SE, both can use the **same** form. 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 50.

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 following instructions 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 following instructions.

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) or the amount identified as net earnings from self-employment in box 9 of Schedule K-1 (Form 1065-B). 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, see **Pub. 225**.

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 and salespersons that are:

1. Paid after retirement but figured 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.

However, certain termination payments received by former insurance salespersons are not included in net earnings from self-employment (as explained below).

• Income of certain crew members of fishing vessels with crews of normally fewer than 10 people. See **Pub. 595** for details.

• 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**.

• 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.

• Fees received for services performed as a notary public. If you have no other income subject to SE tax, write "Exempt-Notary" on Form 1040, line 50. However, if you have other earnings of \$400 or more subject to SE tax, write "Exempt-Notary" and, in parentheses, the amount of your net profit as a notary public from Schedule C or C-EZ on the dotted line to the left of line 3, Schedule SE. Subtract that amount from the total of lines 1 and 2 and enter the result on line 3.

• 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.

• Termination payments you received as a former insurance salesperson if **ALL** of the following conditions are met.

1. The payment was received from an insurance company because of services you performed as an insurance salesperson for the company.

2. The payment was received after termination of your agreement to perform services for the company.

3. You did not perform any services for the company after termination and before the end of the year in which you received the payment.

4. You entered into a covenant not to compete against the company for at

least a 1-year period beginning on the date of termination.

5. The amount of the payment depended primarily on policies sold by or credited to your account during the last year of the agreement, or the extent to which those policies remain in force for some period after termination, or both.

6. The amount of the payment did not depend to any extent on length of service or overall earnings from services performed for the company (regardless of whether eligibility for the payment depended on length of service).

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. That is, 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 made by the partnership. If you were 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. That is, 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** on this page 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), Schedule K-1 (Form 1065), line 15a (from other than farm partnerships), and Schedule K-1 (Form 1065-B), box 9.

Using Both Optional Methods

If you can use both methods, you may report less than your total actual net earnings from farm and nonfarm self-employment, but you **cannot** report less than your actual net earnings from nonfarm self-employment alone.

If you use both methods to figure net earnings, you **cannot** report more than \$1,600 of net SE earnings.

Major Categories of Federal Income and Outlays for Fiscal Year 1997

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 surplus or 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 surplus or deficit. Individual spending and revenue bills are then enacted consistent with the goals of the budget resolution.

In fiscal year 1997 (which began on October 1, 1996, and ended on September 30, 1997), Federal income was 1,579 billion and outlays were \$1,601 billion, leaving a deficit of \$22 billion.

Federal Income

Income and social insurance taxes are, by far, the largest source of receipts. In 1997, individuals paid \$737 billion in income taxes and corporations paid \$182 billion. Social security and other insurance and retirement contributions were \$539 billion. Excise taxes were \$57 billion. The remaining \$63 billion of receipts were from Federal Reserve deposits, customs duties, estate and gift taxes, and other miscellaneous receipts.

Federal Outlays

About 99% of total outlays were financed by tax receipts and the remaining 1% was financed by borrowing. Government receipts and borrowing finance a wide range of public services. The following is the breakdown of total Federal outlays for fiscal year 1997*:

1. Social security, Medicare, and other retirement: \$632 billion. These programs were about 38% of total outlays. They provide income support for the retired and disabled and medical care for the elderly.

2. National defense, veterans, and foreign affairs: \$325 billion. About 16% of total outlays were to equip, modernize, and pay our armed forces and to fund other national defense activities;

about 2% 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: \$244 billion. About 15% of total outlays were for net interest payments on the public debt.

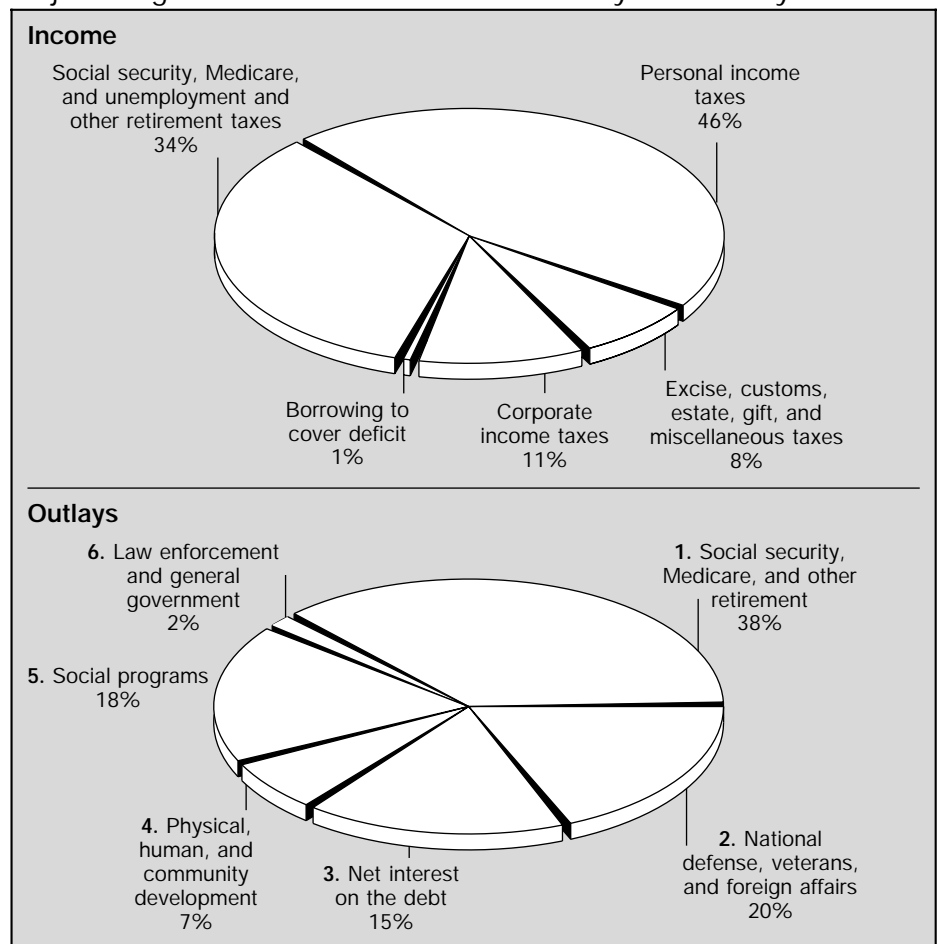
4. Physical, human, and community development: \$123 billion. About 7% of total outlays were for agriculture; natural resources and environmental programs; transportation programs; aid for elementary and secondary education and direct assistance to college students; job training programs; deposit insurance, commerce and housing credit, and community development; and space, energy, and general science programs.

5. Social programs: \$294 billion. The Federal Government spent 12% of total outlays to fund Medicaid, food stamps, temporary assistance for needy families, supplemental security income, and related programs. 6% was spent for health research and public health programs, unemployment compensation, assisted housing, and social services.

6. Law enforcement and general government: \$29 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: Detail may not add to total due to rounding.

Income and Outlays. These pie charts show the relative sizes of the major categories of Federal income and outlays for fiscal year 1997.



* The percentages on this page exclude undistributed offsetting receipts, which were -\$50 billion in fiscal year 1997. In the budget, these receipts are offset against spending in figuring the outlay totals shown above. These receipts are for the U.S. Government's share of its employee retirement programs, rents and royalties on the Outer Continental Shelf, and proceeds from the spectrum auction.

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



Where Do You File?

If an envelope addressed to "Internal Revenue Service Center" came with your tax booklet, please use it. If you do not have one or if you moved during the year, mail your return to the **Internal Revenue Service Center** for the place where you live. **No street address is needed.**



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 need additional postage. Also, include your complete return address.

Alabama—Memphis, TN 37501-0002

Alaska—Ogden, UT 84201-0002

Arizona—Ogden, UT 84201-0002

Arkansas—Memphis, TN 37501-0002

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*—Ogden, UT 84201-0002

All other counties—Fresno, CA 93888-0002

Colorado—Ogden, UT 84201-0002

Connecticut—Andover, MA 05501-0002

Delaware—Philadelphia, PA 19255-0002

District of Columbia—Philadelphia, PA 19255-0002

Florida—Atlanta, GA 39901-0002

Georgia—Atlanta, GA 39901-0002

Hawaii—Fresno, CA 93888-0002

Idaho—Ogden, UT 84201-0002

Illinois—Kansas City, MO 64999-0002

Indiana—Cincinnati, OH 45999-0002

Iowa—Kansas City, MO 64999-0002

Kansas—Austin, TX 73301-0002

Kentucky—Cincinnati, OH 45999-0002

Louisiana—Memphis, TN 37501-0002

Maine—Andover, MA 05501-0002

Maryland—Philadelphia, PA 19255-0002

Massachusetts—Andover, MA 05501-0002

Michigan—Cincinnati, OH 45999-0002

Minnesota—Kansas City, MO 64999-0002

Mississippi—Memphis, TN 37501-0002

Missouri—Kansas City, MO 64999-0002

Montana—Ogden, UT 84201-0002

Nebraska—Ogden, UT 84201-0002

Nevada—Ogden, UT 84201-0002

New Hampshire—Andover, MA 05501-0002

New Jersey—Holtsville, NY 00501-0002

New Mexico—Austin, TX 73301-0002

New York—*New York City and counties of Nassau, Rockland, Suffolk, and Westchester*—Holtsville, NY 00501-0002

All other counties—Andover, MA 05501-0002

North Carolina—Memphis, TN 37501-0002

North Dakota—Ogden, UT 84201-0002

Ohio—Cincinnati, OH 45999-0002

Oklahoma—Austin, TX 73301-0002

Oregon—Ogden, UT 84201-0002

Pennsylvania—Philadelphia, PA 19255-0002

Rhode Island—Andover, MA 05501-0002

South Carolina—Atlanta, GA 39901-0002

South Dakota—Ogden, UT 84201-0002

Tennessee—Memphis, TN 37501-0002

Texas—Austin, TX 73301-0002

Utah—Ogden, UT 84201-0002

Vermont—Andover, MA 05501-0002

Virginia—Philadelphia, PA 19255-0002

Washington—Ogden, UT 84201-0002

West Virginia—Cincinnati, OH 45999-0002

Wisconsin—Kansas City, MO 64999-0002

Wyoming—Ogden, UT 84201-0002

American Samoa—Philadelphia, PA 19255-0215

Guam: Permanent residents—Department of Revenue and Taxation
Government of Guam
P.O. Box 23607
GMF, GU 96921

Guam: Nonpermanent residents—Philadelphia, PA 19255-0215

Puerto Rico (or if excluding income under Internal Revenue Code section 933)—Philadelphia, PA 19255-0215

Virgin Islands: Permanent residents—V.I. Bureau of Internal Revenue
9601 Estate Thomas
Charlotte Amalie
St. Thomas, VI 00802

Virgin Islands: Nonpermanent residents—Philadelphia, PA 19255-0215

Foreign country: U.S. citizens and those filing Form 2555, Form 2555-EZ, or Form 4563—Philadelphia, PA 19255-0207

All APO and FPO addresses—Philadelphia, PA 19255-0207

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