



Instructions for Form 1040-C

U.S. Departing Alien Income Tax Return

General Instructions

Privacy Act and Paperwork Reduction Act Notice

We ask for the information on this form to carry out the Internal Revenue laws of the United States. Internal Revenue Code sections 6001, 6011, 6012(a), 6851, and their regulations require that you give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation and to cities, states, and the District of Columbia to carry out their tax laws. If you do not give the information asked for, you may be charged penalties and, in certain cases, you may be subject to criminal prosecution.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 2 hr., 5 min.; **Learning about the law or the form**, 44 min.; **Preparing the form**, 2 hr., 19 min.; and **Copying, assembling, and sending the form to the IRS**, 1 hr., 13 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Attention: Reports Clearance Officer, PC:FP, Washington, DC 20224; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-0086), Washington, DC 20503. **DO NOT** send the tax form to either of these offices. Instead, see **How To Obtain the Certificate** on page 2.

Tax Law Changes for 1994

Use your 1993 tax return as a guide for figuring your tax liability, but be sure to consider the changes noted in this section. For more information on these changes and other provisions that may affect your 1994 tax liability, get **Pub. 553**, Highlights of 1993 Tax Changes.

Expiration of Self-Employed Health Insurance Deduction.—At the time these instructions went to print, this deduction was scheduled to expire December 31, 1993.

Self-Employment Tax.—The limit on the amount of self-employment income subject to the 2.9% Medicare tax has been repealed.

Business Meals and Entertainment.—The deductible portion of business meal costs and entertainment expenses has been reduced from 80% to 50%.

Club Dues.—No deduction is allowed for amounts paid or incurred after 1993 for membership dues in any club organized for business, pleasure, recreation, or other social purpose.

Travel Expenses.—No deduction is allowed for travel expenses paid or incurred after 1993 for a spouse, dependent, or other individual accompanying you on business travel, unless that spouse, dependent, or other individual is your employee and the travel is for a bona fide business purpose and would otherwise be deductible by that person.

Social Security Benefits.—If your 1994 income, including one-half of your social security benefits, is over \$34,000 if single (over \$44,000 if married filing jointly), more of your benefits may be taxable. For some people, up to 85% will be taxable. For details, including rules for married persons filing separately and a worksheet to figure your taxable benefits, see Pub. 553. This change does not apply to nonresident aliens.

Earned Income Credit.—The maximum credit and the income limit have been increased. But the health insurance credit and the extra credit for a child born during the year are no longer allowed. Also, new rules allow certain individuals without qualifying children to take the credit.

Charitable Contributions.—Generally, no deduction is allowed for any contribution of \$250 or more, unless you obtain a written acknowledgement from the charitable organization.

Moving Expenses.—New rules apply to expenses incurred after 1993. Under the new rules, the distance test has been increased from 35 miles to 50 miles. The cost of meals, pre-move househunting expenses, temporary quarters expenses, and qualified real estate expenses are no longer deductible. In addition, the deduction is allowed in figuring adjusted gross income (i.e., you no longer need to itemize deductions to claim moving expenses). For more details, see Pub. 553.

Rental Real Estate Losses and Credits of Real Estate Professionals.—Certain individuals who materially participate in real property trades or businesses, and who perform more than one-half of their personal services and more than 750 hours of services during the year in those trades or businesses, are not subject to the passive activity limitations on losses and credits from rental real estate activities in which they materially participate. Services performed as an employee are generally not treated as performed in a real property trade or business. For more details, including the definition of a real property trade or business, see Pub. 553.

Purpose of Form

Form 1040-C is used by aliens who intend to leave the United States to report income they received or expect to receive for the entire year.

If you are a nonresident alien, use the 1993 Instructions for **Form 1040NR**, U.S. Nonresident Alien Income Tax Return. Also, **Pub. 519**, U.S. Tax Guide for Aliens, and **Pub. 901**, U.S. Tax Treaties, will be helpful in filling in Form 1040-C.

If you are a resident alien, the 1993 Instructions for **Form 1040**, U.S. Individual Income Tax Return, will help you complete Form 1040-C.

You can get copies of tax forms, instructions, and publications from the Internal Revenue Service. If you have a foreign address, send your order to either: Eastern Area Distribution Center, P.O. Box 25866, Richmond, VA 23286-8107, USA; or Western Area Distribution Center, Rancho Cordova, CA 95743-0001, USA, whichever is closer. Please order by publication or form number.

Alien Status Rules.—If you are not a citizen of the United States, specific rules apply to determine if you are a resident alien or nonresident alien. Intent is not important in determining your residency status. You are considered a resident alien if you meet either the **green card test** or the **substantial presence test**. Even though you may otherwise meet the substantial presence test, you will not be considered a U.S. resident if you qualify for the **closer connection to a foreign country exception** or you are able to qualify as a nonresident by reason of a tax treaty. These tests and the exception are discussed in the instructions for Part I.

Treaty Benefits

If you take the position that a treaty of the United States overrides or modifies any provision of the Internal Revenue Code and that position reduces (or potentially reduces) your tax, you must file **Form 8833**, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b), or similar statement, with your final U.S. income tax return. For more details, see Pub. 519.

Final Return Required

A Form 1040-C is **not** a final return. Therefore, you must file a final income tax return after your tax year ends. If you are not a U.S. citizen or resident on the last day of the year, file Form 1040NR. If you are a U.S. citizen or resident on the last day of the year, you should file Form 1040. Any tax you pay with Form 1040-C counts as a credit against tax on your final return. Any overpayment shown on Form 1040-C will be refunded only if and to the extent your final return for the tax year shows an overpayment.

Certificate of Compliance

Note: *The issuance of a certificate of compliance is **not** a final determination of your tax liability. If it is later determined that there is a tax deficiency, you will have to pay the additional tax due.*

Form 1040-C or Form 2063.—If you are an alien, you should not leave the United States or any of its possessions without getting a certificate of compliance from your IRS District Director on Form 1040-C or **Form 2063**, U.S. Departing Alien Income Tax Statement. But see **Exceptions** later. You may file the shorter Form 2063 if you filed all U.S. income tax returns you were required to file, you paid any tax due, and **EITHER 1 or 2** below applies to you.

1. You have no taxable income for the year of departure and for the preceding year if the time for filing the earlier year's return has not passed.

2. You are a resident alien with taxable income for the preceding year or for the year of departure, but the District Director has decided that your leaving will not hinder collecting the tax.

Exceptions. You do not need a certificate of compliance if:

- You are a representative of a foreign government who holds a diplomatic passport; a member of the representative's household; a servant who accompanies the representative; an employee of an international organization or foreign government whose pay is exempt from U.S. taxes; or a member of the employee's household who was not paid by U.S. sources. If you signed a waiver of nonimmigrants' privileges as a condition of holding both your job and your status as an

immigrant, the exception does not apply, and you must get a certificate.

- You are a student, industrial trainee, exchange visitor, or the spouse or child of such an individual with an F, H-3, H-4, or J visa. To qualify, you must not have received any income from sources in the United States during your stay under that visa other than **(1)** allowances covering expenses incident to your study in the United States (including expenses for travel, maintenance, and tuition), **(2)** the value of any services or accommodations furnished incident to such study, or **(3)** income from employment authorized by the U.S. immigration laws.

- You are a student or the spouse or child of a student with an M-1 or M-2 visa. To qualify, you must not have received any income from sources in the United States during your stay under that visa other than income from employment authorized by the U.S. immigration laws.

- Any of the following applies, unless the District Director believes you had taxable income during the tax year, up through your departure date, or during the preceding tax year and that your leaving the United States would hinder collecting the tax.

1. You are on a pleasure trip and have a B-2 visa.

2. You are on a business trip and have a B-1 visa or a combined B-1 and B-2 visa and do not stay in the United States or any of its possessions for more than 90 days during the tax year.

3. You are an alien passing through the United States or any of its possessions on a C-1 visa or under a contract, such as a bond agreement, between a transportation line and the Attorney General.

4. You are an alien admitted on a border-crossing identification card.

5. You do not need to carry passports, visas, or border-crossing identification cards because you are visiting for business or pleasure and do not stay in the United States or any of its possessions for more than 90 days during the tax year.

6. You are passing through the United States or any of its possessions.

7. You are a military trainee admitted for instruction under the Department of Defense and you will leave the United States on official military travel orders.

8. You are a resident of Canada or Mexico who commutes frequently to the United States to work and your wages are subject to income tax withholding.

How To Obtain the Certificate

To get a compliance certificate, go to your local IRS office at least 2 weeks before you leave the United States and file either Form 2063 or Form 1040-C

and any other tax returns that have not been filed as required. The certificate, however, may not be issued more than 30 days before you leave. If both you and your spouse are aliens and are leaving together, both of you must go to the IRS office.

Please be prepared to furnish your anticipated date of departure and bring the following records with you if they apply.

1. A valid passport with your alien registration card or visa.

2. Copies of your U.S. income tax returns filed for the past 2 years. If you were in the United States for less than 2 years, bring copies of the income tax returns you filed in that period.

3. Receipts for income taxes paid on these returns.

4. Receipts, bank records, canceled checks, and other documents that prove your deductions, business expenses, and dependents claimed on the returns.

5. A statement from each employer you worked for this year showing wages paid and tax withheld. If you are self-employed, you must bring a statement of income and expenses up to the date you plan to leave.

6. Proof of any payments of estimated tax for the past year and the current year.

7. Documents showing any gain or loss from the sale of personal property, including capital assets and merchandise.

8. Documents concerning scholarships or fellowship grants such as: **(a)** verification of the grantor, source, and purpose of the grant, **(b)** copies of the application for, and approval of, the grant, **(c)** a statement of the amount paid, and the duties and obligations under the grant, and **(d)** a list of any previous grants.

9. Documents indicating qualification for special tax treaty benefits.

If you are filing Form 1040-C, file an original and one copy for the tax year in which you plan to leave. If the District Director has made a termination assessment against you, include on your Form 1040-C any income you expect to get through the departure date during the tax year. If you received a termination assessment and you received additional income within the current tax year, the District Director may make additional assessments. If the District Director has not made a termination assessment against you, include on your Form 1040-C any income you have received and expect to receive during the entire tax year of departure.

Generally, a compliance certificate on Form 1040-C will be issued without your paying tax or posting bond if you have not received a termination assessment. This certificate applies to all your departures during the current tax year,

subject to revocation on any later departure if the District Director believes your leaving would hinder collecting the tax.

If you owe income tax and the District Director determines that your departure will jeopardize the collection of the tax, a compliance certificate on Form 1040-C will be issued when you pay the tax due or post bond. This certificate applies only to the departure for which it is issued.

If you go to the departure point without a certificate or proof that you do not need one, you may be subject to an income tax examination by an IRS employee. You will then have to complete the returns and any other required documents and either pay any income tax due or post bond.

Specific Instructions

If your employer is willing to furnish a letter guaranteeing that the tax will be paid, check the "Yes" box. You only need to sign the form and leave the remainder blank. Be sure to attach the letter from your employer to Form 1040-C. The letter should state specifically the period and type of tax covered.

Joint Return.—Nonresident aliens may not file a joint return. Resident aliens may file a joint return on Form 1040-C only if **both** of the following apply.

1. The alien and his or her spouse can reasonably expect to be eligible to file a joint return at the normal close of the tax period for which the return is made.

2. If the tax period of the alien is terminated, the tax periods of both spouses are terminated at the same time.

If a joint return is filed on Form 1040-C, both spouses should enter their names, social security numbers, and passport or alien registration card numbers in the space provided on page 1 of the form. Also, both spouses should include their income and furnish the information requested in Part I of the form. If necessary, a separate Part I should be completed for each spouse.

Part I—Explanation of Status—Resident or Nonresident Alien

Generally, you are considered a resident alien if you meet either the green card test or the substantial presence test for 1994. You are considered a nonresident alien for the year if you do not meet either of these tests. For more details on resident and nonresident status, see Pub. 519.

Green Card Test.—You are a resident for tax purposes if you are a lawful permanent resident of the United States at any time during 1994. You are a lawful permanent resident of the United States

if you have been given the privilege, according to the immigration laws, of residing permanently in the United States as an immigrant. You generally have this status if the Immigration and Naturalization Service (INS) has issued you an alien registration card also known as a "green card."

Substantial Presence Test.—You are considered a U.S. resident if you meet the substantial presence test for 1994. You meet this test if you were physically present in the United States for at least: **(a)** 31 days during 1994, and **(b)** 183 days during the period 1994, 1993, and 1992, counting all the days of physical presence in 1994 but only $\frac{1}{3}$ the number of days of presence in 1993 and only $\frac{1}{6}$ the number of days in 1992.

Days of presence in the United States. Generally, you are treated as present in the United States on any day that you are physically present in the country at any time during the day. However, you do not count the following days of presence in the United States for purposes of the substantial presence test.

- Days you regularly commuted to work in the United States from a residence in Canada or Mexico.
- Days you were in the United States for less than 24 hours when you were in transit between two places outside the United States.
- Days you were unable to leave the United States because of a medical condition or medical problem that developed while you were in the United States.
- Days you were an exempt individual.

In general, an **exempt individual** is an individual who is a: **(a)** foreign government or international organization-related individual, **(b)** teacher or trainee, **(c)** student, or **(d)** professional athlete who is temporarily in the United States to compete in a charitable sports event.

Note: *If you qualify to exclude days of presence in the United States because you are an exempt individual or because of a medical condition or problem, file Form 8843, Statement for Exempt Individuals and Individuals With a Medical Condition, or similar statement, with your final income tax return. This rule does not apply to foreign government or international organization-related individuals who exclude days of presence in the United States.*

Closer connection to a foreign country exception. Even though you would otherwise meet the substantial presence test, you are not treated as a U.S. resident for 1994 if you: **(a)** were present in the United States for fewer than 183 days during 1994, and **(b)** establish that during 1994 you had a tax home in a foreign country and had a

closer connection to that country than to the United States.

Note: *If you meet this exception, file Form 8840, Closer Connection Exception Statement, or a similar statement, with your final income tax return.*

Dual-Status Tax Year.—Generally, if you leave the United States during the year with no intent to return, you have a dual-status tax year and are subject to dual-status restrictions in completing Form 1040-C. A dual-status tax year is one in which you have been both a resident alien and a nonresident alien. In figuring your income tax liability, different U.S. income tax rules apply to each status. See Pub. 519.

Income Effectively Connected With a U.S. Trade or Business—Nonresident Aliens.—If you are a nonresident alien, the tax on your income depends on whether the income is or is not effectively connected with a U.S. trade or business.

Income effectively connected with a U.S. trade or business (including wages earned by an employee) is taxed at the graduated rates that apply to U.S. citizens and resident aliens. Income you receive as a partner in a partnership or as a beneficiary of an estate or trust is considered effectively connected with a U.S. trade or business if the partnership, estate, or trust conducts a U.S. trade or business.

Income from U.S. sources that is not effectively connected with a U.S. trade or business is generally taxed at 30%. Your rate may be lower if the country of which you are a citizen or resident and the United States have a treaty setting lower rates. See Pub. 901 for more details.

For a listing of the kinds of income not considered effectively connected with a U.S. trade or business, see the instructions for Schedules A and B. If you are a nonresident alien in the United States for study or training, see Pub. 519.

Part II—Exemptions

If you are a resident alien, you may claim the same exemptions allowed U.S. citizens on Form 1040.

Nonresident aliens of Canada, India, Mexico, Japan, the Republic of Korea, or U.S. nationals (American Samoans) engaged in a trade or business in the United States may claim the same number of exemptions they are entitled to on Form 1040NR. All other nonresident aliens engaged in a U.S. trade or business may claim only one exemption. For more details, see Pub. 519 or the Form 1040NR instructions.

If you are a nonresident alien not engaged in a trade or business in the United States, you cannot take any personal exemptions on income that is

not effectively connected with a U.S. trade or business.

Part III—Figuring Your Income Tax

Read the descriptions on line 1 of Form 1040-C for Groups I, II, and III to see which group you fall into. If you fall into Group I or II, use lines 15–24 to figure your tax. If you fall into Group III, use lines 25 and 26 to figure your tax. If you are a nonresident alien and fall into both Groups II and III, use lines 15–26 to figure your tax.

Line 16—Adjustments.—If you are a resident alien, you can take the adjustments allowed on Form 1040. The Form 1040 instructions have information on adjustments you may take.

If you are a nonresident alien and have income effectively connected with a U.S. trade or business, you may take the adjustments allowed on Form 1040NR. See the Form 1040NR instructions.

If you are a nonresident alien with income not effectively connected with a U.S. trade or business, you cannot take any adjustments.

Line 19—Additional Taxes.—Enter on line 19 any additional taxes from **Form 4970**, Tax on Accumulation Distribution of Trusts, or **Form 4972**, Tax on Lump-Sum Distributions.

Line 21—Credits.—If you are a resident alien, you may claim the same credits as on Form 1040. If you are a nonresident alien with income effectively connected with a U.S. trade or business, you may generally deduct the same credits as on Form 1040NR.

Line 23—Other Taxes.—Enter on line 23 any other taxes such as those listed below. See the instructions for Forms 1040 or 1040NR for information on the additional taxes to include on this line.

● **Self-employment tax.** Use Schedule SE (Form 1040), Form 1040-PR, or Form 1040-SS to figure your self-employment tax. This tax applies only to resident aliens. The self-employment tax rate for 1994 is 15.3%. This includes a 2.9% Medicare tax and a 12.4% social security tax. For 1994, the maximum amount of self-employment income subject to social security tax is \$60,600. There is no limit on the amount of self-employment income subject to the Medicare tax.

● **Alternative minimum tax.** Use **Form 6251**, Alternative Minimum Tax—Individuals, to figure the tax.

● **Tax from recapture of investment credit.** Use **Form 4255** to figure the tax.

● **Tax from recapture of low-income housing credit.** Use **Form 8611** to figure the tax.

● **Tax from recapture of Federal mortgage subsidy.** Use **Form 8828** to figure the tax.

● **Tax from recapture of qualified electric vehicle credit.** For details on how to figure the tax, get **Pub. 535**, Business Expenses.

Line 26—Tax.—Enter 30% of the amount on line 25. If you are entitled to a lower rate because of a treaty between your country and the United States, attach a statement showing your computation.

Line 28—U.S. Income Tax Paid or Withheld at Source.—Enter the amount from Schedule A, line 4, column (c), or amounts withheld as shown on Forms W-2, W-2G, 8288-A, 1099-R, 1042-S, 8805, etc.

Line 30—Other Payments.—Include on line 30 any of the following payments.

● **Earned income credit.** Enter any earned income credit that is due you.

● **U.S. income tax paid at previous departure during the tax period.** Enter any tax you paid during the tax period when you previously departed the United States.

● **Excess social security and RRTA tax withheld.** If you had two or more employers in 1994 who together paid you more than \$60,600 in wages, too much social security tax and tier 1 railroad retirement (RRTA) tax may have been withheld from your wages. See the instructions for Form 1040 or Form 1040NR. For 1994, the maximum social security tax and tier 1 RRTA tax is \$3,757.20.

● **Credit for Federal tax paid on fuels.** Enter any credit from **Form 4136** for tax on gasoline, diesel fuel, and other fuels used in your business, or for certain diesel-powered cars, vans, and light trucks.

See the instructions for Forms 1040 or 1040NR for details on other payments.

Signature

Form 1040-C is not considered a valid return unless you sign it. If an agent (including your spouse) signs for you, your authorization of the signature must be filed with the return. You may have an agent in the United States prepare and sign your return if you were sick or otherwise unable to sign. However, you must have IRS approval to use an agent. To obtain approval, file a statement with the IRS office where you file Form 1040-C explaining why you cannot sign.

If you fill in your own return, the Paid Preparer's space should remain blank. Generally, anyone you pay to prepare your return must sign it. A preparer who signs your return must sign it by hand in the space provided. Signature stamps or labels cannot be used. The preparer must also give you a copy of the return for your records in addition to the copies to be filed with the IRS. Someone who prepares your return but does not charge you should not sign your return.

If you have questions about whether a preparer is required to sign your return, please contact an IRS office.

Schedule A—Schedule of Income

Line 1, Column (d).—Resident aliens should include income that would be included on Form 1040, such as salaries, wages, interest, dividends, rents, alimony, etc.

Line 1, Column (e).—Enter nonresident alien income effectively connected with a U.S. trade or business.

Line 1, Column (f).—Enter nonresident alien income **not** effectively connected with a U.S. trade or business, including:

● Interest, dividends, rents, salaries, wages, premiums, annuities, compensation, remuneration, and other fixed or determinable annual or periodic gains, profits, and income.

● Prizes, awards, and certain gambling winnings. Proceeds from lotteries, raffles, etc., are gambling winnings. You must report the full amount of your winnings. You cannot offset losses against winnings and report the difference.

● One-half of the U.S. social security benefits you receive are taxable. This amount is treated as U.S. source income not effectively connected with a U.S. trade or business and is subject to the 30% tax rate, unless exempt or taxed at a reduced rate under a U.S. tax treaty. Social security benefits include any monthly benefit under title II of the Social Security Act or part of a tier 1 railroad retirement benefit treated as a social security benefit. Social security benefits do not include any Supplemental Security Income (SSI) payments.

Exempt Income for Nonresident

Aliens.—The following income received by a nonresident alien is exempt from U.S. tax:

1. Interest on bank deposits or withdrawable accounts with savings and loan associations or credit unions that are chartered and supervised under Federal or state law, or amounts held by an insurance company under an agreement to pay interest on them, if the income is not effectively connected with a U.S. trade or business. Also, certain portfolio interest on obligations issued after July 18, 1984.

2. Your personal service income if you:

a. Were in the United States 90 days or less during the tax year,

b. Received \$3,000 or less for your services, and

c. Performed the services as an employee of or under contract with a nonresident alien individual, foreign partnership, or foreign corporation, not engaged in a U.S. trade or business; or for a foreign office of a U.S. partnership, corporation, citizen, or resident.

3. Capital gains not effectively connected with a U.S. trade or business if you were in the United States less than 183 days during the tax year. However, the gain or loss on the disposition of a U.S. real property interest is not exempt.

4. U.S. bond income. Your income from series E, EE, H, or HH U.S. savings bonds that you bought while a resident of the Ryukyu Islands (including Okinawa) or the Trust Territory of the Pacific Islands (Caroline and Marshall Islands).

5. Qualifying annuities. Annuities you received from qualifying annuity plans or trusts under both the following conditions:

a. The work done that entitles you to the annuity was done either in the United States for a foreign employer or outside the United States, **and**

b. When the first amount was paid as an annuity, at least 90% of the employees covered by the plan (or plans that included the trust) were U.S. citizens or residents.

Certain items of income may be exempt from Federal tax by a tax treaty. For more details, see Pub. 901.

Schedule B—Gains and Losses From Sales or Exchanges of Nonresidents' Property Not Effectively Connected With a U.S. Trade or Business

If you are a nonresident alien, use Schedule B to figure your gain or loss from the sale or exchange of property not effectively connected with a U.S. trade or business. Include the following kinds of income. For more details on these kinds of income, see Pub. 519 and the Instructions for Form 1040NR.

Income Other Than Capital Gains.—Gains on the disposal of timber, coal, or U.S. iron ore with a retained economic interest.

Gains from the sale or exchange of patents, copyrights, secret processes and formulas, goodwill, trademarks, trade brands, franchises, and other like property, or of any interest in any such property. The gains must result from payments for the productivity, use, or disposition of the property or interest.

Original issue discount (OID). If you sold or exchanged the obligation, include only the OID that accrued while you held the obligation minus the amount previously included in income. If you received a payment on the obligation, see Pub. 519.

Itemized Deductions Worksheet (keep for your records)	
1. Add the amounts in columns (b) and (d) of Schedule C, line 1	1. _____
2. Enter the total amount included on line 1 above for medical and dental expenses, investment interest expense, casualty or theft losses of personal use property, and gambling losses	2. _____
3. Subtract line 2 from line 1. If zero, stop here ; enter the amount from line 1 above on Schedule C, line 2.	3. _____
4. Multiply line 3 above by 80% (.80)	4. _____
5. Enter the amount from Form 1040-C, line 17	5. _____
6. Enter \$111,800 (\$55,900 if married filing separately)	6. _____
7. Subtract line 6 from line 5. If zero or less, stop here ; enter the amount from line 1 above on Schedule C, line 2	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 C, line 2	10. _____

Capital Gains.—Capital gains in excess of capital losses if you were in the United States at least 183 days during the year. However, the gain or loss on the disposition of a U.S. real property interest is considered effectively connected and should be shown on Schedule A.

Schedule C—Itemized Deductions

If you are a resident alien, you can take the deductions allowed on Schedule A of Form 1040. See the Schedule A (Form 1040) instructions.

If you are a nonresident alien and have income effectively connected with a U.S. trade or business, you can take the deductions allowed on Schedule A of Form 1040NR. See the Schedule A (Form 1040NR) instructions. If you do not have income effectively connected with a U.S. trade or business, you cannot take any deductions.

Note: *Nonresident aliens of India who were students or business apprentices may be able to take the standard deduction. See Pub. 519 for details.*

Line 2.—If your adjusted gross income is over \$111,800 (over \$55,900 if married filing separately), you may not be able to deduct all of your itemized deductions. Use the worksheet on this page to figure the amount you may deduct.

Schedule D—Tax Computation

Standard Deduction (Group I only)

If you do not itemize your deductions, you may take the 1994 standard deduction listed below:

Filing Status	Standard Deduction
Married filing jointly or Qualifying widow(er)	\$6,350*
Head of household	\$5,600*
Single	\$3,800*
Married filing separately	\$3,175*

*To these amounts, add the additional amount below.

Additional Amount for the Elderly or the Blind.—An additional standard deduction amount of \$750 is allowed for a married individual (whether filing jointly or separately) or a qualifying widow(er) who is age 65 or older or blind (\$1,500 if the individual is both age 65 or older and blind, \$3,000 if both spouses are age 65 or older and blind). An additional standard deduction amount of \$950 is allowed for an unmarried individual (single or head of household) who is age 65 or older or blind (\$1,900 if the individual is both age 65 or older and blind).

Note: *If you will be age 65 on January 1, 1995, you are considered to be age 65 for 1994.*

Limited Standard Deduction for Dependents.—If you can be claimed as a dependent on another person's 1994 return, your standard deduction is the greater of \$600 or your earned income, up to the standard deduction amount. To this amount add any additional amount for the elderly or the blind.

Deduction for Exemptions Worksheet (keep for your records)

Use this worksheet **only** if the amount on Schedule D, line 1 or line 7, is more than the dollar amount shown on line 3 below for your filing status. If the amount on Schedule D, line 1 or line 7, is equal to or less than the amount shown on line 3, multiply \$2,450 by the total number of exemptions claimed on Form 1040-C, line 14e. Enter the result on Schedule D, line 4 or line 10, whichever applies.

1. Multiply \$2,450 by the total number of exemptions claimed on Form 1040-C, line 14e **1.** _____
2. Enter the amount from Schedule D, line 1 or line 7 **2.** _____
3. Enter on line 3 the amount shown below for your filing status:
 - Married filing jointly or Qualifying widow(er), enter \$167,700
 - Single, enter \$111,800
 - Head of household, enter \$139,750
 - Married filing separately, enter \$83,850
 } **3.** _____
4. Subtract line 3 from line 2. If zero or less, **stop here**; enter the amount from line 1 above on Schedule D, line 4 or line 10 **4.** _____

Note: If line 4 is over \$122,500 (over \$61,250 if married filing separately), **stop here**; you **cannot** take a deduction for exemptions. Enter -0- on Schedule D, line 4 or line 10.
5. Divide line 4 above by \$2,500 (\$1,250 if married filing separately). If the result is not a whole number, round to the next higher whole number (for example, round 0.0004 to 1) **5.** _____
6. Multiply line 5 above by 2% (.02) and enter the result as a decimal amount **6.** _____
7. Multiply line 1 above by line 6 **7.** _____
8. **Deduction for exemptions.** Subtract line 7 from line 1. Enter the result here and on Schedule D, line 4 or line 10, whichever applies **8.** _____

1994 Tax Rate Schedules (Groups I and II)

Caution: Do not use these Tax Rate Schedules to figure your 1993 taxes. Use only to figure your **1994** taxes.

Schedule X—Single Taxpayers (Groups I and II)

If the amount on Schedule D, line 5 or 11, is: The tax is:

Over—	but not over—		of the amount over—
\$0	\$22,750	-----	15% \$0
22,750	55,100	\$3,412.50 +	28% 22,750
55,100	115,000	12,470.50 +	31% 55,100
115,000	250,000	31,039.50 +	36% 115,000
250,000	-----	79,639.50 +	39.6% 250,000

Schedule Z—Head of Household (Group I only)

If the amount on Schedule D, line 5, is: The tax is:

Over—	but not over—		of the amount over—
\$0	\$30,500	-----	15% \$0
30,500	78,700	\$4,575.00 +	28% 30,500
78,700	127,500	18,071.00 +	31% 78,700
127,500	250,000	33,199.00 +	36% 127,500
250,000	-----	77,299.00 +	39.6% 250,000

Schedule Y—Married Taxpayers and Qualifying Widows and Widowers

Married Filing Joint Returns (Group I only) and Qualifying Widows and Widowers (Groups I and II)

If the amount on Schedule D, line 5 or 11, is: The tax is:

Over—	but not over—		of the amount over—
\$0	\$38,000	-----	15% \$0
38,000	91,850	\$5,700.00 +	28% 38,000
91,850	140,000	20,778.00 +	31% 91,850
140,000	250,000	35,704.50 +	36% 140,000
250,000	-----	75,304.50 +	39.6% 250,000

Married Filing Separate Returns (Groups I and II)

If the amount on Schedule D, line 5 or 11, is: The tax is:

Over—	but not over—		of the amount over—
\$0	\$19,000	-----	15% \$0
19,000	45,925	\$2,850.00 +	28% 19,000
45,925	70,000	10,389.00 +	31% 45,925
70,000	125,000	17,852.25 +	36% 70,000
125,000	-----	37,652.25 +	39.6% 125,000