Instructions for Schedules to Form 1040

2002 Instructions for Schedule A, Itemized Deductions

Use Schedule A (Form 1040) to figure your itemized deductions. In most cases, 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.

Do not include on Schedule A items deducted elsewhere, such as on Form 1040, or Schedule C, C-EZ, E, or F.

Changes To Note
Medical and Dental Expenses. If you are claiming the health insurance credit for eligible recipients (see page 16 of the Form 1040 instructions), you need to complete Form 8885 to figure the amount to enter on Schedule A, line 1.

Unreimbursed Employee Business Expenses. Do not include on Schedule A, line 20, any deduction for educator expenses you are claiming on Form 1040, line 23, or any tuition and fees deduction on Form 1040, line 26.

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 36.

Pub. 502 discusses the types of expenses that you may and may not deduct. It also explains when you may deduct capital expenses and special care expenses for disabled persons.

If you received a distribution from an MSA in 2002, 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 premiums for qualified long-term care contracts 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 30. Also reduce the insurance premiums by any amount used to figure the health insurance credit for eligible recipients on Form 8885, line 11.

You cannot deduct insurance premiums paid with pretax dollars because the premiums are not included in box 1 of your W-2 form(s).

- Prescription medicines or insulin.
- Acupuncturists, chiropractors, dentists, eye doctors, medical doctors, occupational therapists, osteopathic doctors, physical therapists, podiatrists, psychiatrists, psychologists (medical care only), and psychologists.
- 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).
- A program to stop smoking and for prescription medicines to alleviate nicotine withdrawal.
- A weight-loss program as treatment for a specific disease (including obesity) diagnosed by a doctor.
- 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.
- Surgery to improve defective vision, such as laser eye surgery or radial keratotomy.
- 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, provided there was no significant element of personal pleasure, recreation, or vacation in the travel. Do not deduct 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 13 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 qualified long-term care contracts (as defined in Pub. 502) depends on the age, at the end of 2002, of the person for whom the premiums were paid. See the following chart for details.

<table>
<thead>
<tr>
<th>IF the person was, at the end of 2002, age . . .</th>
<th>THEN the most you may deduct is . . .</th>
</tr>
</thead>
<tbody>
<tr>
<td>40 or under</td>
<td>$ 240</td>
</tr>
<tr>
<td>41–50</td>
<td>$ 450</td>
</tr>
<tr>
<td>51–60</td>
<td>$ 900</td>
</tr>
<tr>
<td>61–70</td>
<td>$ 2,390</td>
</tr>
<tr>
<td>71 or older</td>
<td>$ 2,990</td>
</tr>
</tbody>
</table>

Examples of Medical and Dental Payments You May Not Deduct
- The basic cost of Medicare insurance (Medicare A).

(Continued on page A-2)


If you were 65 or older but not entitled to social security benefits, you may deduct premiums you voluntarily paid for Medicare A coverage.

- The cost of diet food.
- 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 46.
- Illegal operations or drugs.
- Nonprescription medicines (including nicotine gum and certain nicotine patches).
- 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 (see page A-1), 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 30, reduce the premiums by the amount on line 30. Also, if you are claiming the health insurance credit for eligible recipients, reduce the premiums by the amount on line 11 of Form 8885.

**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 she received wages of $3,000 in 2002. You may include on line 1 any medical and dental expenses you paid in 2002 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 2002 for medical or dental expenses you paid in 2002, reduce your 2002 expenses by this amount. If you received a reimbursement in 2002 for prior year medical or dental expenses, do not reduce your 2002 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.).
- State and local estimated tax payments made during 2002, including any part of a prior year refund that you chose to have credited to your 2002 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 2002 or
- Any refund of, or credit for, prior year state and local income taxes you actually received in 2002. Instead, see the instructions for Form 1040, line 10.

**Line 5**

**State and Local Income Taxes**

Include the tax on the line the state and local income taxes listed below.

- State and local income taxes withheld from your salary during 2002. 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 2002 for a prior year, such as taxes paid with your 2001 state or local income tax return. Do not include penalties or interest.
- State and local income taxes paid in 2002 to local real property owners for their property. Do not include penalties or interest.
Refunds and Rebates. If you received a refund or rebate in 2002 of real estate taxes you paid in 2002, reduce your deduction by the amount of the refund or rebate. If you received a refund or rebate in 2002 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. See Recoveries in Pub. 525 for details on 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 and it is charged on a yearly basis.

Example. You paid a yearly 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 was 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 45, 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 2002 that applies to any period after 2002, you may deduct only amounts that apply for 2002.

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 2002. 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 2002. The limit is $500,000 if married filing separately.

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” to the right of line 10.

Note. If you are claiming the mortgage interest credit (see the instructions for Form 1040, line 52), 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 or 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 jointly) 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. To the right of 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.

TIP

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.

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

(Continued on page A-4)
1. Your investment interest expense is not more than your investment income from interest and ordinary dividends.
2. You have no other deductible investment expenses.
3. You have no disallowed investment interest expense from 2001.

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, mosques, synagogues, temples, etc.
- Boy Scouts, Boys and Girls Clubs of America, CARE, Girl Scouts, Goodwill Industries, Red Cross, Salvation Army, United Way, 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.

To verify an organization’s charitable status, you can:

- Check with the organization to which you made the donation. The organization should be able to provide you with verification of its charitable status.
- See Pub. 78 for a list of most qualified organizations.
- Call our Tax Exempt/Government Entities Customer Account Services at 1-877-829-5500. Assistance is available Monday through Friday from 8:00 a.m. to 6:30 p.m. EST.

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.

Contributions You May Not Deduct

- 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. But you may be able to deduct these expenses on line 27. See page A-6 for details.
- Cost of tuition. But you may be able to:
  1. Deduct this expense on line 20 (see page A-5) or
  2. Take a credit for this expense. See Form 8863 for details.
- 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, Israeli, 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 furni-
ture, 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.
For more details on determining the value
of donated property, see Pub. 561.

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 contribu-
tions. 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 descrip-
tion of the property. For each gift of prop-
erty, 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 contribu-
tion,” 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 be-
cause 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 insti-
tution but lost because of the insolvency or
bankruptcy of the institution.

You may deduct nonbusiness casualty or
thief 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 36.

Special rules apply if you had both gains
and losses from nonbusiness casualties or
thefts. See Form 4684 and its instructions
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.
● Commuting expenses. See Pub. 529 for
the definition of commuting.
● Travel expenses for employment away
from home if that period of employment
exceeds 1 year. See Pub. 529 for an excep-
tion for certain Federal employees.
● Travel as a form of education.
● Expenses of attending a seminar, con-
vention, or similar meeting unless it is re-
lated 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 adoption
expenses. See Form 8839 for details.
● Fines and penalties.
● Expenses of producing tax-exempt
income.

Line 20
Unreimbursed Employee Expenses
Enter the total ordinary and necessary job
expenses you paid for which you were not
reimbursed. (Amounts your employer in-
cluded in box 1 of your W-2 form are not
considered reimbursements.)

An ordinary expense is one that is
common and accepted in your field of trade,
business, or profession. A necessary expense
is one that is helpful and appropriate for your
business. An expense does not have to be
required to be considered necessary.

But you must fill in and attach Form
2106 if either 1 or 2 next applies.
1. You claim any travel, transportation,
meal, or entertainment expenses for your
job.
2. Your employer paid you for any of your
job expenses reportable on line 20.

TIP
If you used your own vehicle and
item 2 does not apply, you may
be able to file Form 2106-EZ
instead.

CAUTION
Do not include on line 20 any
educator expenses you deducted
on Form 1040, line 23.

Examples of other expenses to include on
line 20 are:
● Safety equipment, small tools, and sup-
plies needed for your job.
● Uniforms required by your employer
that are not suitable for ordinary wear.
● Protective clothing required in your
work, such as hard hats, safety shoes, and
glasses.
● Physical examinations required by your
employer.
● 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

A-5
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 13 of the Form 1040 instructions) or see Pub. 587.
- Certain educational expenses. For details, use TeleTax topic 513 (see page 13 of the Form 1040 instructions) or see Pub. 508. Reduce your educational expenses by any tuition and fees deduction you claimed on Form 1040, line 26.

TIP
You may be able to take a credit for your educational expenses instead of a deduction. See Form 8863 for details.

### Line 21

**Tax Preparation Fees**
Enter the fees you paid for preparation of your tax return, including fees paid for filing your return electronically. If you paid your tax by credit card, do not include the convenience fee you were charged.

### 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.

**Itemized Deductions Worksheet—Line 28**

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Add the amounts on Schedule A, lines 4, 9, 14, 18, 19, 26, and 27.</td>
</tr>
<tr>
<td>2.</td>
<td>Add the amounts on Schedule A, lines 4, 13, and 19, plus any gambling and casualty or theft losses included on line 27.</td>
</tr>
<tr>
<td>3.</td>
<td>Is the amount on line 2 less than the amount on line 1?</td>
</tr>
<tr>
<td></td>
<td><strong>No.</strong> Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 28.</td>
</tr>
<tr>
<td></td>
<td><strong>Yes.</strong> Subtract line 2 from line 1.</td>
</tr>
<tr>
<td>4.</td>
<td>Multiply line 3 above by 80% (.80).</td>
</tr>
<tr>
<td>5.</td>
<td>Enter the amount from Form 1040, line 36.</td>
</tr>
<tr>
<td>6.</td>
<td>Enter: $137,300 ($68,650 if married filing separately).</td>
</tr>
<tr>
<td>7.</td>
<td>Is the amount on line 6 less than the amount on line 5?</td>
</tr>
<tr>
<td></td>
<td><strong>No.</strong> Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 28.</td>
</tr>
<tr>
<td></td>
<td><strong>Yes.</strong> Subtract line 6 from line 5.</td>
</tr>
<tr>
<td>8.</td>
<td>Multiply line 7 above by 3% (.03).</td>
</tr>
<tr>
<td>9.</td>
<td>Enter the smaller of line 4 or line 8.</td>
</tr>
<tr>
<td>10.</td>
<td><strong>Total itemized deductions.</strong> Subtract line 9 from line 1. Enter the result here and on Schedule A, line 28.</td>
</tr>
</tbody>
</table>

**Other Miscellaneous Deductions**

### Line 27

Only the expenses listed next 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 of 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.
- Impairment-related work expenses of a disabled person.

For more details, see Pub. 529.

### Total Itemized Deductions

Use the worksheet below to figure the amount to enter on line 28 if the amount on Form 1040, line 36, is over $137,300 ($68,650 if married filing separately).
2002
Instructions for
Schedule B,
Interest and
Ordinary Dividends

A Change To Note
The filing requirements for Schedule B have changed. For 2002, you are required to file Schedule B only if your total taxable interest or ordinary dividends is more than $1,500 (or any of the other conditions listed above apply to you).

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. 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, or let the buyer know your SSN, you may have to pay a $50 penalty.

Nominees
If you received a Form 1099-INT that includes interest you received as a nominee (that is, in your name, but the interest actually belongs to someone else), report the total on line 1. Do this even if you later distributed some or all of this income to others. Under your last entry on line 1, put a subtotal of all interest listed on line 1. Below this subtotal, 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 General Instructions for Forms 1099, 1098, 5498, and W-2G and Instructions for Forms 1099-INT and 1099-OID.

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.”

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 General Instructions for Forms 1099, 1098, 5498, and W-2G and Instructions for Forms 1099-INT and 1099-OID.

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.

Part II. Ordinary Dividends

Note. You may have to file Form 5471 if, in 2002, you were an officer or director of a foreign corporation. You may also have to file Form 5471 if, in 2002, you owned 10% or more of the total (a) value of a foreign corporation’s stock or (b) combined voting power of all classes of a foreign corporation’s stock with voting rights. For details, see Form 5471 and its instructions.

Line 3

Excludable Interest on Series EE and I U.S. Savings Bonds Issued After 1989
If, during 2002, you cashed series EE or I U.S. savings bonds issued after 1989 and you paid qualified higher education expenses 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.

B-1
Do not report capital gain distributions on line 5. Instead, see the instructions for Form 1040, 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 General Instructions for Forms 1099, 1098, 5498, and W-2G and Instructions for Form 1099-DIV.

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 next applies.

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). You can get Form TD F 90-22.1 by visiting the IRS Web Site at www.irs.gov/pub/irs-pdf/f9022-1.pdf.

If you checked the “Yes” box on line 7a, file Form TD F 90-22.1 by June 30, 2003, 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 2002, you may have to file Form 3520.