2008 Instructions for Schedules A & B (Form 1040)

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 can deduct a part of your medical and dental expenses and unrelated business expenses, and amounts you paid for certain taxes, interest, contributions, and miscellaneous expenses. You can also deduct certain casualty and theft losses.

If you and your spouse paid expenses jointly and are filing separate returns for 2008, see Pub. 504 to figure the portion of joint expenses that you can claim as itemized deductions.

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

Medical and Dental Expenses

You can deduct only the part of your medical and dental expenses that exceeds 7.5% of the amount on Form 1040, line 38.

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

If you received a distribution from a health savings account or a medical savings account in 2008, see Pub. 969 to figure your deduction.

Examples of Medical and Dental Payments You Can Deduct

To the extent you were not reimbursed, you can 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 can deduct on page A-2. Reduce the insurance premiums by any self-employed health insurance deduction you claimed on Form 1040, line 29. You cannot deduct insurance premiums paid with pretax dollars because the premiums are not included in box 1 of your Form(s) W-2. If you are a retired public safety officer, you cannot deduct any premiums you paid to the extent they were paid for with a tax-free distribution from your retirement plan.

If, during 2008, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA (ATAA) recipient, or Pension Benefit Guaranty Corporation pension recipient, you must reduce your insurance premiums by any amounts used to figure the health coverage tax credit. See the instructions for line 1 on page A-2.

- Prescription medicines or insulin.
- Acupuncturists, chiropractors, dentists, eye doctors, medical doctors, occupational therapists, osteopathic doctors, physical therapists, podiatrists, psychiatrists, psychoanalysts (medical care only), and psychologists.
- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths your doctor ordered.
- Diagnostic tests, such as a full-body scan, pregnancy test, or blood sugar test kit.
- Nursing help (including your share of the employment taxes paid). If you paid someone to do both nursing and housework, you can 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).
- The premiums you pay for Medicare Part D insurance.
- 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 keratomotomy.
• 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 can claim what you spent for gas and oil to go to and from the place you received the care; or you can claim 19 cents a mile (27 cents a mile after June 30, 2008). Add parking and tolls to the amount you claim under either method.
• Reimbursements.

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

Limit on long-term care premiums you can deduct. The amount you can deduct for qualified long-term care contracts (as defined in Pub. 502) depends on the age, at the end of 2008, of the person for whom the premiums were paid. See the chart below for details.

<table>
<thead>
<tr>
<th>IF the person was, at the end of 2008, age . . .</th>
<th>THEN the most you can deduct is . . .</th>
</tr>
</thead>
<tbody>
<tr>
<td>40 or under</td>
<td>$ 310</td>
</tr>
<tr>
<td>41–50</td>
<td>$ 580</td>
</tr>
<tr>
<td>51–60</td>
<td>$ 1,150</td>
</tr>
<tr>
<td>61–70</td>
<td>$ 3,080</td>
</tr>
<tr>
<td>71 or older</td>
<td>$ 3,850</td>
</tr>
</tbody>
</table>

Examples of Medical and Dental Payments You Cannot Deduct

• 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.

TIP
If you were age 65 or older but not entitled to social security benefits, you can deduct premiums you voluntarily paid for Medicare A coverage.
• 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 48.
• Illegal operations or drugs.
• Imported drugs not approved by the U.S. Food and Drug Administration (FDA). This includes foreign-made versions of U.S.-approved drugs manufactured without FDA approval.
• 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 on this page.

**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 29, reduce the premiums by the amount on line 29.

**Note.** If, during 2008, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA (ATAA) recipient, or Pension Benefit Guaranty Corporation pension recipient, you must complete Form 8885 before completing Schedule A, line 1. When figuring the amount of insurance premiums you can deduct on Schedule A, do not include:
- Any amounts you included on Form 8885, line 4.
- Any qualified health insurance premiums you paid to “U.S. Treasury — HCTC,” or
- Any health coverage tax credit advance payments shown in box 1 of Form 1099-H.

Whose medical and dental expenses can you include? You can include medical and dental bills you paid for anyone who was one of the following either when the services were provided or when you paid for them.
- 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 for children of divorced or separated parents.
- Any person you could have claimed as a dependent on your return except that person received $3,500 or more of gross income or filed a joint return.

**Example.** You provided over half of your mother’s support but cannot claim her as a dependent because she received wages of $3,500 in 2008. You can include on line 1 any medical and dental expenses you paid in 2008 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 2008 for medical or dental expenses you paid in 2008, reduce your 2008 expenses by this amount. If you received a reimbursement in 2008 for prior year medical or dental expenses, do not reduce your 2008 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 Form(s) W-2. 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 Form(s) W-2.

### Taxes You Paid

**Taxes You Cannot 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 28 on page A-10.
- Certain state and local taxes, including: 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**

You can elect to deduct state and local general sales taxes instead of state and local income taxes. You cannot deduct both.

**State and Local Income Taxes**

If you deduct state and local income taxes, check box a on line 5. Include on this line the state and local income taxes listed below.

- State and local income taxes withheld from your salary during 2008. Your Form(s) W-2 will include 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 2008 for a prior year, such as taxes paid
with your 2007 state or local income tax return. Do not include penalties or interest.
- State and local estimated tax pay- ments made during 2008, including any part of a prior year refund that you chose to have credited to your 2008 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.
- Mandatory contributions to the Alaska, New Jersey, or Pennsylvania state unemployment fund.

Do not reduce your deduction by any:
- State or local income tax refund or credit you expect to receive for 2008, or
- Refund of, or credit for, prior year state and local income taxes you actually received in 2008. Instead, see the instruc- tions for Form 1040, line 10.

State and Local General Sales Taxes

If you elect to deduct state and local general sales taxes, you must check box b on line 5. To figure your deduction, you can use either your actual expenses or the optional sales tax tables.

Actual Expenses
Generally, you can deduct the actual state and local general sales taxes (including compensating use taxes) you paid in 2008 if the tax rate was the same as the general sales tax rate. However, sales taxes on food, clothing, medical supplies, and motor vehicles are deductible as a general sales tax even if the tax rate was less than the general sales tax rate. If you paid sales tax on a motor vehicle at a rate higher than the general sales tax rate, you can deduct only the amount of tax that you would have paid at the general sales tax rate on that vehicle. Motor vehicles include cars, motorcycles, motor homes, recreational vehicles, sport utility vehicles, trucks, vans, and off-road vehicles. Also include any state and local general sales taxes paid for a leased motor vehicle. Do not include sales taxes paid on items used in your trade or business.

Optional Sales Tax Tables

Instead of using your actual expenses, you can use the tables on pages A-11 through A-13 to figure your state and local general sales tax deduction. You may also be able to add the state and local general sales taxes paid on certain specified items.

To figure your state and local general sales tax deduction using the tables, com- plete the worksheet on page A-4 or use the 2008 Sales Tax Deduction Calculator on the IRS website. To use the 2008 Sales Tax Deduction Calculator, go to www.irs.gov and enter “Sales tax deduction calculator” in the search box.

If your filing status is married filing separately, both you and your spouse elect to deduct sales taxes, and your spouse elects to use the optional sales tax tables, you also must use the tables to figure your state and local general sales tax deduction.

Instructions for Line 5b Worksheet

Line 1. If you lived in the same state for all of 2008, enter the applicable amount, based on your 2008 income and exemptions, from the optional state sales tax table for your state on page A-11 or A-12. Read down the “At least–But less than” columns for your locality and find the line that includes your 2008 income. If married filing separately, do not include your spouse’s income. Your 2008 income is the amount shown on your Form 1040, line 38, plus any nontaxable items, such as the following:
- Tax-exempt interest.
- Nontaxable benefits.
- Nontaxable combat pay.
- Workers’ compensation.
- Nontaxable part of social security and railroad retirement benefits.
- Nontaxable part of IRA, pension, or annuity distributions. Do not include rollo- vers.
- Public assistance payments.

The exemptions column refers to the number of exemptions claimed on Form 1040, line 6d.

What if you lived in more than one state during 2008? If you lived in more than one state during 2008, look up the table amount for each state using the above rules. If there is no table for your state, the table amount is considered to be zero. Multiply the table amount for each locality you lived in by a fraction. The numerator of the fraction is the number of days you lived in that locality during 2008 and the denominator is the total number of days in the year (366). Enter the total of the prorated table amounts for each locality on line 6d. But if you deducted your actual expenses for State A, the table amount for State A is $500. You would figure your state general sales tax as follows.

State A: $500 x 244/366 = $333
State B: $400 x 122/366 = $133
Total = $466

If none of the localities in which you lived during 2008 imposed a local general sales tax, enter $466 on line 1 of your worksheet. Otherwise, complete a separate worksheet for State A and State B. Enter $333 on line 1 of the State A worksheet and $133 on line 1 of the State B worksheet.

Line 2. If you checked the “No” box, enter -0- on line 2, and go to line 3. If you checked the “Yes” box and lived in the same locality for all of 2008, enter the ap- plicable amount, based on your 2008 in- come and exemptions, from the optional local sales tax table for your locality on page A-13. Read down the “At least–But less than” columns for your locality and find the line that includes your 2008 income. See the line 1 instructions on this page to figure your 2008 income. The ex- emptions column refers to the number of exemptions claimed on Form 1040, line 6d.

What if you lived in more than one locality? If you lived in more than one locality during 2008, look up the table amount for each locality using the above rules. If there is no table for your locality, the table amount is considered to be zero. Multiply the table amount for each locality you lived in by a fraction. The numerator of the fraction is the number of days you lived in that locality during 2008 and the denominator is the total number of days in the year (366). If you lived in more than one locality in the same state and the local general sales tax rate was the same for each locality, enter the total of the prorated table amounts for each locality in that state on line 2. Other- wise, complete a separate worksheet for each prorated table amount on line 2 of the applicable worksheet.

Example. You lived in Locality 1 from January 1 through August 31, 2008 (244 days), and in Locality 2 from September 1 through December 31, 2008 (122 days).

The table amount for Locality 1 is $100. The table amount for Locality 2 is $150. You would figure the amount to enter on line 2 as follows. Note that this amount may not equal your local sales tax deduc- tion, which is figured on line 6 of the work- sheet.

Locality 1: $100 x 244/366 = $67
Locality 2: $150 x 122/366 = $57
Total = $124

Line 3. If you lived in California, the “No” box if your combined state and local general sales tax rate is 7.25%. Otherwise, check the “Yes” box and include on line 3 only the part of the combined rate that is more than 7.25%.

If you lived in Nevada, check the “No” box if your combined state and local gen- eral sales tax rate is 6.5%. Otherwise, check the “Yes” box and include on line 3 only

You must keep your actual re- cipts showing general sales taxes paid to use this method.

Refund of general sales taxes. If you re- ceived a refund of state or local general sales taxes in 2008 for amounts paid in 2007, reduce your 2008 state and local general sales taxes by this amount. If you received a refund of state or local gen- eral sales taxes in 2008 for prior year purchases, do not reduce your 2008 state and local general sales taxes by this amount. But if you deducted your actual state and local general sales taxes in the earlier year and the deduction reduced your tax, you may have to include the refund in income on Form 1040, line 21. See Recov- eries in Pub. 525 for details.
the part of the combined rate that is more than 6.5%.

What if your local general sales tax rate changed during 2008? If you checked the “Yes” box and your local general sales tax rate changed during 2008, figure the rate to enter on line 3 as follows. Multiply each tax rate for the period it was in effect by a fraction. The numerator of the fraction is the number of days the rate was in effect during 2008 and the denominator is the total number of days in the year (366). Enter the total of the prorated tax rates on line 3.

Example. Locality 1 imposed a 1% local general sales tax from January 1 through September 30, 2008 (274 days). The rate increased to 1.75% for the period from October 1 through December 31, 2008 (92 days). You would enter “1.189” on line 3, figured as follows.

What if you lived in more than one locality in the same state during 2008? Complete a separate worksheet for lines 2 through 6 for each locality in your state if you lived in more than one locality in the state.
The type and rule above prints on all proofs including departmental reproduction proofs. MUST be removed before printing.
the old mortgage, treat the excess as a mort-gage taken out after October 13, 1987. and used the proceeds for mortgage, and the other person received the

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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 interest was reported on Form 1098 under the other person’s SSN, report your share of the interest on line 11 (as explained in the line 11 instructions below).

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.

If you are claiming the mort-gage interest credit (for holders of qualified mortgage credit certificates issued by state or lo-cal governmental units or agencies), sub-tract the amount shown on Form 8939, line 3, from the total deductibility you paid on your home mortgage. Enter the re-sult on line 10.

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 number, and address on the dotted lines next to line 11. If the recipient is an individual, the identifying number is his or her social security number (SSN).

Mortgage insurance provided by the De-partment of Veterans Affairs and the Rural Housing Service is commonly known as a funding fee and guarantee fee respectively. These fees can be deducted fully in 2008 if the mortgage insurance contract was issued in 2008. Contact the mortgage insurance issuer to determine the deductible amount if it is not included in box 4 of Form 1098.

Prepaid mortgage insurance. If you paid premiums for qualified mortgage insurance that are allocable to 2008, such premiums are treated as paid in the year to which they are allocated. No deduc-tion is allowed for the unamortized balance if the mortgage is satisfied before its term. The two preceding sentences do not apply to qualified mortgage insurance provided by the Department of Veterans Affairs or the Rural Housing Service.

If, in 2007, you obtained a mortgage and paid qualified mortgage insurance premi-ums that are allocable to 2008, you can allocate the premiums over the shorter of the stated term of the mortgage or 6 months, beginning with the month the insurance was obtained. See Pub. 936.

At the time these instructions went to print, additional guidance was not yet is-suessed for mortgage insurance premiums that were paid in 2008, but allocable to periods after 2008. For more details, go to www.irs.gov, click on More Forms and Publications, and then on What’s Hot in forms and publi-ca-tions, or see Pub. 553, Highlights of 2008 Tax Changes, available in early 2009.

Limit on amount you can deduct. You cannot deduct your mortgage insurance premiums if the amount on Form 1040, line 38, is more than $109,000 ($54,500 if married filing separately). If the amount on Form 1040, line 38, is more than $100,000 ($50,000 if married filing separately), your deduction is limited and you must use the worksheet on page A-7 to figure your de-duction.

Line 14 Investment Interest

Investment interest is interest paid on money you borrowed that is allocable to properties held for investment. It does not include any interest allocable to passive ac-tivities or to securities that generate tax-exempt income.

Complete and attach Form 4952 to fig-ure your deduction.

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 minus any qualified dividends.

2. You have no other deductible invest-ment expenses.

3. You have no disallowed investment interest expense from 2007.
Gifts to Charity

You can deduct contributions or gifts you gave to organizations that are religious, charitable, educational, scientific, or literary in purpose. You can also deduct what you gave to organizations that work to prevent cruelty to children or animals. Certain whaling captains may be able to deduct expenses paid in 2008 for Native Alaskan subsistence bowhead whale hunting activities. See Pub. 526 for details.

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. You can access Pub. 78 on the IRS website at www.irs.gov under Charities and Non-Profits then Contributors.
- Call our Tax Exempt/Government Entities Customer Account Services at 1-877-829-5500.

Examples of Qualified Charitable Organizations
- 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 earlier on this page.
- 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.

Contributions You Can Deduct

Contributions can be in cash, 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 can take the actual cost of gas and oil or 14 cents a mile. But, if the volunteer work was to provide relief related to a Midwestern disaster area, the amount is 36 cents a mile (41 cents a mile after June 30, 2008), see Pub. 4492-B for more details. 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 can 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 or to certain items or benefits of token value. 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 can deduct only $30.

Gifts of $250 or more. You can 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.

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

Qualified Mortgage Insurance Premiums Deduction Worksheet—
Line 13

Before you begin: ✓ See the instructions for line 13 on page A-6 to see if you must use this worksheet to figure your deduction.

1. Enter the total premiums you paid in 2008 for qualified mortgage insurance for a contract issued after December 31, 2006 ............................................................ 1.
2. Enter the amount from Form 1040, line 38 .............................. 2.
3. Enter $100,000 ($50,000 if married filing separately) ...................... 3.
4. Is the amount on line 2 more than the amount on line 3?
   □ No. Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 13. Do not complete the rest of this worksheet.
   □ Yes. Subtract line 3 from line 2. If the result is not a multiple of $1,000 ($500 if married filing separately), increase it to the next multiple of $1,000 ($500 if married filing separately). For example, increase $425 to $1,000, increase $2,025 to $3,000; or if married filing separately, increase $425 to $500, increase $2,025 to $2,500, etc. 4.
5. Divide line 4 by $10,000 ($5,000 if married filing separately). Enter the result as a decimal. If the result is 1.0 or more, enter 1.0 ................................. 5.
6. Multiply line 1 by line 5 ........................................................ 6.
7. Qualified mortgage insurance premiums deduction. Subtract line 6 from line 1. Enter the result here and on Schedule A, line 13 ................................. 7.
it does not have to describe or value the benefit.

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.

**You must get the statement by the date you file your return or the due date (including exten-
sions) 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 can deduct

See Pub. 526 to figure the amount of your de-
duction if any of the following applies.

1. Your cash contributions or contribu-
tions of ordinary income property are more than 30% of the amount on Form 1040, line 38.
2. Your gifts of capital gain property are more than 20% of the amount on Form 1040, line 38.
3. You gave gifts of property that in-
creased in value or gave gifts of the use of property.

**The limit described in item (1) above does not apply to certain cash contributions paid for re-
lief efforts in a Midwestern dis-
aster area if you elect to treat those contributions as qualified contributions.** See Pub. 526 for details.

### Contributions You Cannot Deduct

- Travel expenses (including meals and lodging) while away from home, unless there was no significant element of per-
sonal 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 ex-
enses on line 28. See the instructions on page A-10 for details.
- Cost of tuition. But you may be able to deduct this expense on line 21 (see page A-9), or Form 1040, line 34, or take a credit for this expense (see Form 8863).
- Value of blood given to a blood bank.
- The transfer of a future interest in tang-
ible 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, Is-
raeli, and Mexican charities. See Pub. 526 for details.
- Gifts to organizations engaged in cer-
tain political activities that are of direct fi-
nancial interest to your trade or business. See 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 connec-
tion with a contribution to a charitable or-
ganization. See Pub. 526 for exceptions.

**If your total deduction for gifts of property is over $500, you gave less than your entire inter-
est in the property, or you made a “qualified conservation contribution,” your records should contain additional in-
formation. See Form 526 for details.**

### Recordkeeping

If your property, you should also keep reliable written records that include:

- How you figured your deduction if any of the following applies.
- The cost or other basis of the property than 30% of the amount on Form 1040, line 38. expenses). You may also be able to deduct these ex-
enses on line 28. See the instructions on page A-10 for details.
- Cost of tuition. But you may be able to deduct this expense on line 21 (see page A-9), or Form 1040, line 34, or take a credit for this expense (see Form 8863).
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est in the property, or you made a “qualified conservation contribution,” your records should contain additional in-
formation. See Form 526 for details.**

### Contributions of clothing and household items

A deduction for these contributions will be allowed only if the items are in good used condition or better. However, this rule does not apply to a contribution of any sin-
gle item for which a deduction of more than $500 is claimed and for which you include a qualified appraisal and Form 8283 with your tax return.

### Line 16

**Gifts by Cash or Check**

Enter on line 16 the total gifts you made in cash or by check (including out-of-pocket expenses).

### Line 17

**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 contributions. If you deduct more than $500 for a contrib-
ution of a motor vehicle, boat, or airplane, you must also attach a statement from the charitable organization to your return. The organization may use Form 1098-C to pro-
vide the required information. If your total deduction is over $5,000, you may also have to get appraisals of the values of the

### Line 18

**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.

### Line 20

**Casualty and Theft Losses**

Complete and attach Form 4684 to figure the amount of your loss to enter on line 20. You may be able to deduct part or all of each loss caused by fire, 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 can 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 (reduced by the $100 limit discussed in (1) above) is more than 10% of the amount on Form 1040, line 38.

Exceptions for certain disaster losses. Exceptions to the above limitations apply to losses in certain disaster areas.

Kansas disaster area. Casualty and theft losses that occurred in the Kansas disaster area after May 3, 2007, are not subject to the $100 and 10% of adjusted gross income (AGI) limitations if the losses were attributable to the storms and tornadoes that began May 4, 2007. See Pub. 4492-A for more details.

Midwestern disaster areas. Casualty and theft losses that occurred in a Midwestern disaster area are not subject to the $100 and 10% of AGI limitations if the losses were attributable to the severe storms, tornados or flooding. See Pub. 4492-B for more details.

Federally declared disaster areas. The 10% of AGI limitation does not apply to a casualty loss in a federally declared disaster.

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

Use Schedule A, line 23, 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 Certain Miscellaneous Deductions

You can deduct only the part of these expenses that exceeds 2% of the amount on Form 1040, line 38.

Pub. 529 discusses the types of expenses that can and cannot be deducted.

Examples of Expenses You Cannot Deduct

• Political contributions.
• Legal expenses for personal matters that do not produce taxable income.
• 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 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.
• 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 21 Unreimbursed Employee Expenses

Enter the total ordinary and necessary job expenses you paid for which you were not reimbursed. (Amounts your employer included in box 1 of your Form W-2 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) below 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 that you would otherwise report on line 21.

If you used your own vehicle, are using the standard mileage rate, and (2) above 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 line next to line 21. If you need more space, attach a statement showing the type and amount of each expense. Enter the total of all these expenses on line 21.

Do not include on line 21 any educator expenses you deducted on Form 1040, line 23.

Examples of other expenses to include on line 21 are:

• Safety equipment, small tools, and supplies 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.

Due 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 84 of the Form 1040 instructions) or see Pub. 587.
• Certain educational expenses. For details, use TeleTax topic 513 (see page 84 of the Form 1040 instructions) or see Pub. 970. Reduce your educational expenses by any tuition and fees deduction you claimed on Form 1040, line 34.

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

Line 22 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 23 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 23. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 23.

Examples of expenses to include on line 23 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 of property used in performing services as an employee from Form 4684, lines 38 and 44b, or Form 4797, line 18a.
• Deduction for repayment of amounts under a claim of right if $3,000 or less.
Other Miscellaneous Deductions

Line 28
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 28. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 28.

- 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 38 and 44b, or Form 4797, line 18a.
- Loss from other activities from Schedule K-1 (Form 1065-B), box 2.
- 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.

Line 30
If you elect to itemize for state tax or other purposes even though your itemized deductions are less than your standard deduction, check the box on line 30.

Total Itemized Deductions

Line 29
Use the worksheet below to figure the amount to enter on line 29 if the amount on Form 1040, line 38, is over $159,950 ($79,975 if married filing separately). For line 2 of the worksheet below, you will need to know the amount, if any, of your charitable contributions you elected to treat as qualified contributions for relief efforts in a Midwestern disaster area.

Itemized Deductions Worksheet—Line 29

Keep for Your Records

1. Enter the total of the amounts from Schedule A, lines 4, 9, 15, 19, 20, 27, and 28. 1.
2. Enter the total of the amounts from Schedule A, lines 4, 14, and 20, plus any gambling and casualty or theft losses included on line 28. Also include in the total any amount included on Schedule A, line 16, that you elected to treat as qualified contributions for relief efforts in a Midwestern disaster area. 2.

Be sure your total gambling and casualty or theft losses are clearly identified on the dotted lines next to line 28.

3. Is the amount on line 2 less than the amount on line 1?
   - No. Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 29. 3.
   - Yes. Subtract line 2 from line 1. 4.

4. Multiply line 3 by 80% (.80) 4.

5. Enter the amount from Form 1040, line 38 5.

6. Enter $159,950 ($79,975 if married filing separately) 6.

7. Is the amount on line 6 less than the amount on line 5?
   - No. Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 29. 7.
   - Yes. Subtract line 6 from line 5. 8.

8. Multiply line 7 by 3% (.03) 8.

9. Enter the smaller of line 4 or line 8. 9.

10. Divide line 9 by 1.5. 10.

11. Subtract line 10 from line 9. 11.

12. Total itemized deductions. Subtract line 11 from line 1. Enter the result here and on Schedule A, line 29. 12.
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</tr>
</tbody>
</table>

(Continued on next page)
## 2008 Optional State and Certain Local Sales Tax Tables (Continued)

<table>
<thead>
<tr>
<th>Income</th>
<th>Exemptions</th>
<th>Exemptions</th>
<th>Exemptions</th>
<th>Exemptions</th>
<th>Over 128,500</th>
<th>Over 128,500</th>
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<td>$0-20,000</td>
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<tr>
<td>180,001-190,000</td>
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<td>190,001-200,000</td>
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<td>177</td>
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</table>

**Income by State**

**Ohio**

<table>
<thead>
<tr>
<th>Income</th>
<th>Exemptions</th>
<th>Exemptions</th>
<th>Exemptions</th>
<th>Over 128,500</th>
<th>Over 128,500</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0-20,000</td>
<td>104</td>
<td>105</td>
<td>106</td>
<td>112,500</td>
<td>113,000</td>
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<td>30,001-40,000</td>
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</tr>
<tr>
<td>40,001-50,000</td>
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<td>132,500</td>
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</tr>
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<td>50,001-60,000</td>
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<td>122</td>
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<td>140,500</td>
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<td>60,001-70,000</td>
<td>124</td>
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<td>147,500</td>
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<tr>
<td>70,001-80,000</td>
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<td>155,500</td>
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<tr>
<td>80,001-90,000</td>
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<tr>
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<td>110,001-120,000</td>
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<td>146</td>
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<tr>
<td>120,001-130,000</td>
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<td>130,001-140,000</td>
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<td>150,001-160,000</td>
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<td>170,001-180,000</td>
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<tr>
<td>180,001-190,000</td>
<td>172</td>
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<td>174</td>
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<tr>
<td>190,001-200,000</td>
<td>176</td>
<td>177</td>
<td>178</td>
<td>245,000</td>
<td>245,500</td>
</tr>
</tbody>
</table>

**Notes:**

1. The California table includes the 1% uniform local sales tax rate in addition to the 4.25% state sales tax rate.
2. The sales for Indiana, Iowa, Maryland, and North Carolina increased during 2008, so the rate given is average after the year.
3. Residents of Salmon County should deduct only half of the amount in the state tax.
### Which Optional Local Sales Tax Table Should I Use?

<table>
<thead>
<tr>
<th>Optional Local Sales Tax Table</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York City or one of the following counties: Albany, Allegany, Cattaraugus, Cayuga, Chemung, Clinton, Cortland, Erie, Essex, Franklin, Fulton, Genesee, Herkimer, Jefferson, Lewis, Livingston, Monroe, Montgomery, Nassau, Niagara, Oneida, Onondaga, Ontario, Orange, Orleans, Oswego, Otsego, Putnam, Rensselaer, Rockland, St. Lawrence, Saratoga, Schenectady, Schoharie, Seneca, Steuben, Suffolk, Sullivan, Tompkins, Ulster, Warren, Washington, Westchester, Wyoming, or Yates</td>
<td>B</td>
<td>C</td>
<td>B</td>
<td>D</td>
</tr>
</tbody>
</table>

### 2008 Optional Local Sales Tax Tables for Certain Local Jurisdictions (Based on a local sales tax rate of 1 percent)

<table>
<thead>
<tr>
<th>Income Above</th>
<th>Local Exemptions 1</th>
<th>Local Exemptions 2</th>
<th>Local Exemptions 3</th>
<th>Local Exemptions 4</th>
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<td>At least $20,000</td>
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<td>53</td>
<td>54</td>
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<tr>
<td>20,000 - 30,000</td>
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<tr>
<td>30,000 - 40,000</td>
<td>61</td>
<td>52</td>
<td>53</td>
<td>54</td>
</tr>
<tr>
<td>40,000 - 50,000</td>
<td>61</td>
<td>52</td>
<td>53</td>
<td>54</td>
</tr>
<tr>
<td>50,000 - 60,000</td>
<td>61</td>
<td>52</td>
<td>53</td>
<td>54</td>
</tr>
<tr>
<td>60,000 - 70,000</td>
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<td>52</td>
<td>53</td>
<td>54</td>
</tr>
<tr>
<td>70,000 - 80,000</td>
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<td>52</td>
<td>53</td>
<td>54</td>
</tr>
<tr>
<td>80,000 - 90,000</td>
<td>61</td>
<td>52</td>
<td>53</td>
<td>54</td>
</tr>
<tr>
<td>90,000 - 100,000</td>
<td>61</td>
<td>52</td>
<td>53</td>
<td>54</td>
</tr>
<tr>
<td>100,000 - 120,000</td>
<td>61</td>
<td>52</td>
<td>53</td>
<td>54</td>
</tr>
<tr>
<td>120,000 - 140,000</td>
<td>61</td>
<td>52</td>
<td>53</td>
<td>54</td>
</tr>
<tr>
<td>140,000 - 160,000</td>
<td>61</td>
<td>52</td>
<td>53</td>
<td>54</td>
</tr>
<tr>
<td>160,000 - 180,000</td>
<td>61</td>
<td>52</td>
<td>53</td>
<td>54</td>
</tr>
<tr>
<td>180,000 - 200,000</td>
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<td>52</td>
<td>53</td>
<td>54</td>
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<tr>
<td>200,000 or more</td>
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<td>52</td>
<td>53</td>
<td>54</td>
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</tbody>
</table>
### Instructions for Schedule B, Interest and Ordinary Dividends

**Part I. Interest**

**Line 1 Interest**

Report on line 1 all of your taxable interest. Taxable interest should be shown on your Forms 1099-INT, Forms 1099-OID, or substitute statements. Include interest from series EE, H, HH, and I U.S. savings bonds. List each payer’s name and show the amount. Do not report on this line any tax-exempt interest from box 8 or box 9 of Form 1099-INT. Instead, report the amount from box 8 on line 8b of Form 1040. If an amount is shown in box 9 of Form 1099-INT, you generally must report it on line 12 of Form 6251. See the instructions for Form 6251 for more details.

**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.

**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 the 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.”

**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.”

**Part II. Ordinary Dividends**

**Line 5 Ordinary Dividends**

Report on line 5 all of your ordinary dividends. This amount should be shown in box 1a of your Forms 1099-DIV or substitute statements. List each payer’s name and show the amount.

**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.

---

**TIP**

Use Schedule B (Form 1040) if any of the following applies:
- You had over $1,500 of taxable interest.
- Any of the Special Rules listed in the instructions for line 1 apply to you.
- You are claiming the exclusion of interest from series EE or I U.S. savings bonds issued after 1989.
- You had over $1,500 of ordinary dividends.
- You received ordinary dividends as a nominee.
- You had a foreign account or you 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.

---

**TIP**

You may have to file Form 5471 if, in 2008, you were an officer or director of a foreign corporation. You may also have to file Form 5471 if, in 2008, 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.
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.

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 2008 you had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).

Exceptions. Check 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.

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 2008, you may have to file Form 3520. Instead, file it at the address shown in its instructions.

If you were treated as the owner of a foreign trust under the grantor trust rules, you are also responsible for ensuring that the foreign trust files Form 3520-A. Form 3520-A is due on March 16, 2009, for a calendar year trust. See the instructions for Form 3520-A for more details.

Foreign Trusts

For line 7a, item (2) does not apply to foreign securities held in a U.S. securities account.