



2014 Instructions for Schedule J

Income Averaging for Farmers and Fishermen

Use Schedule J (Form 1040) to elect to figure your 2014 income tax by averaging, over the previous 3 years (base years), all or part of your 2014 taxable income from your trade or business of farming or fishing. This election may give you a lower tax if your 2014 income from farming or fishing is high and your taxable income for one or more of the 3 prior years was low.

In order to qualify for this election, you are not required to have been in the business of farming or fishing during any of the base years.

You may elect to average farming or fishing income even if your filing status was not the same in the election year and the base years.

This election does not apply when figuring your alternative minimum tax on Form 6251. Also, you do not have to recompute, because of this election, the tax liability of any minor child who was required to use your tax rates in the prior years.

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

Future Developments

For the latest information about developments related to Schedule J (Form 1040) and its instructions, such as legislation enacted after they were published, go to www.irs.gov/schedulej.

General Instructions

Prior Year Tax Returns

You may need copies of your original or amended income tax returns for 2011, 2012, and 2013 to figure your tax on Schedule J.

If you need copies of your tax returns, use Form 4506. There is a fee for each return requested. See Form 4506 for the fee amount. If your main home, principal place of business, or tax records are located in a federally declared disaster area, this fee will be waived. If you want a free transcript of your tax return or account, use Form 4506-T. See your Form 1040 instructions to find out how to get these forms.

Keep a copy of your 2014 income tax return to use for income averaging in 2015, 2016, or 2017.

Definitions

Farming business. A farming business is the trade or business of cultivating land or raising or harvesting any agricul-

tural or horticultural commodity. This includes:

1. Operating a nursery or sod farm;
2. Raising or harvesting of trees bearing fruits, nuts, or other crops;
3. Raising ornamental trees (but not evergreen trees that are more than 6 years old when severed from the roots);
4. Raising, shearing, feeding, caring for, training, and managing animals; and
5. Leasing land to a tenant engaged in a farming business, but only if the lease payments are (a) based on a share of the tenant's production (not a fixed amount), and (b) determined under a written agreement entered into before the tenant begins significant activities on the land.

A farming business does not include:

- Contract harvesting of an agricultural or horticultural commodity grown or raised by someone else, or
- Merely buying or reselling plants or animals grown or raised by someone else.

Fishing business. A fishing business is the trade or business of fishing in which the fish harvested, either in whole or in part, are intended to enter commerce or enter commerce through sale, barter, or trade. This includes:

1. The catching, taking, or harvesting of fish;
2. The attempted catching, taking, or harvesting of fish;

3. Any other activity which can reasonably be expected to result in the catching, taking, or harvesting of fish;

4. Any operations at sea in support of, or in preparation for, any activity described in (1) through (3) above;

5. Leasing a fishing vessel, but only if the lease payments are (a) based on a share of the catch (or a share of the proceeds from the sale of the catch) from the lessee's use of the vessel in a fishing business (not a fixed payment), and (b) determined under a written lease entered into before the lessee begins any significant fishing activities resulting in the catch; and

6. Compensation as a crew member on a vessel engaged in a fishing business, but only if the compensation is based on a share of the catch (or a share of the proceeds from the sale of the catch).

The word fish means finfish, mollusks, crustaceans, and all other forms of marine animal and plant life other than marine mammals and birds.

A fishing business does not include any scientific research activity conducted by a scientific research vessel.

Settlement from Exxon Valdez litigation. You will be treated as engaged in a fishing business with respect to any qualified settlement income you received if either of the following applies.

1. You were a plaintiff in the civil action *In re Exxon Valdez*, No.

89-095-CV (HRH) (Consolidated) (D. Alaska); or

2. All of the following apply.

a. You were a beneficiary of a plaintiff described in (1) above,

b. You acquired the right to receive qualified settlement income from that plaintiff, and

c. You were the spouse or an immediate relative of that plaintiff.

Qualified settlement income is any taxable interest and punitive damage awards you received (whether as lump sums or periodic payments) in connection with the Exxon Valdez civil action described above. Qualified settlement income includes all such awards, whether received before or after the judgment and whether related to a settlement or a judgment.

Additional Information

See Pub. 225 and Regulations section 1.1301-1 for more information.

Specific Instructions

Line 2a

Elected Farm Income

To figure your elected farm income, first figure your taxable income from farming or fishing. This includes all income, gains, losses, and deductions attributable to your farming or fishing business. If you conduct both farming and fishing businesses, you must figure your elected farm income by combining income, gains, losses, and deductions attributable to your farming and fishing businesses.

Elected farm income also includes any gain or loss from the sale or other disposition of property regularly used in your farming or fishing business for a substantial period of time. However, if such gain or loss is realized after cessation of the farming or fishing business, the gain or loss is treated as attributable to a farming or fishing business only if the property is sold within a reasonable time after cessation of the farming or fishing business. A sale or other disposition within 1 year of the cessation is considered to be within a reasonable time.

Elected farm income does not include income, gain, or loss from the sale or other disposition of land or from the sale of development rights, grazing rights, and other similar rights.

You should find your income, gains, losses, and deductions from farming or fishing reported on different tax forms, such as:

- 2014 Form 1040, line 7, or Form 1040NR, line 8, income from wages and other compensation you received (a) as a shareholder in an S corporation engaged in a farming or fishing business or (b) as a crew member on a vessel engaged in a fishing business (but see *Fishing business*, earlier);

- 2014 Form 1040, line 21, or Form 1040NR, line 21, income from Exxon Valdez litigation;

- 2014 Form 1040, line 27, or Form 1040NR, line 27, deductible part of self-employment tax, but only to the extent that deduction is attributable to your farming or fishing business;

- 2014 Form 1040, line 43, or Form 1040NR, line 41, CCF reduction, except to the extent that any earnings (without regard to the carryback of any net operating or net capital loss) from the operation of agreement vessels in the fisheries of the United States or in the foreign or domestic commerce of the United States are not attributable to your fishing business;

- Schedule C or C-EZ;
- Schedule D;
- Schedule E, Part II;
- Schedule F;
- Form 4797;
- Form 4835;
- Form 8903, domestic production activities deduction, but only to the extent that deduction is attributable to your farming or fishing business; and
- Form 8949.

Your elected farm income is the amount of your taxable income from farming or fishing that you elect to include on line 2a.



You do not have to include all of your taxable income from farming or fishing on line 2a. It may be to your advantage to include less than the entire amount, depending on how the amount you include on line 2a affects your tax bracket for the current and prior 3 tax years.

If you received certain subsidies in 2014, your elected farm income cannot include excess farm losses. See the Instructions for Schedule F (Form 1040).

Your elected farm income cannot exceed your taxable income.

Lines 2b and 2c

Complete lines 2b and 2c if the amount of your elected farm income on line 2a includes net capital gain. Net capital gain is the excess, if any, of net long-term capital gain over net short-term capital loss.

Line 2b. Enter on line 2b the portion of your elected farm income on line 2a treated as a net capital gain. The amount you enter on line 2b cannot exceed the **smaller** of your total net capital gain or the net capital gain attributable to your farming or fishing business.

Line 2c. Enter on line 2c the **smaller** of line 2b or the unrecaptured section 1250 gain attributable to your farming or fishing business, if any.

Line 4

Figure the tax on the amount on line 3 using:

- The 2014 Tax Table, Tax Computation Worksheet, or Qualified Dividends and Capital Gain Tax Worksheet from the 2014 Instructions for Form 1040 or Form 1040NR;
- The 2014 Foreign Earned Income Tax Worksheet from the 2014 Instructions for Form 1040; or
- The Schedule D Tax Worksheet in the 2014 Instructions for Schedule D.

Enter the tax on line 4.

Line 5

If you used Schedule J to figure your tax for:

- 2013 (that is, you entered the amount from the 2013 Schedule J, line 23, on line 44 of your 2013 Form 1040, on line 42 of your 2013 Form 1040NR, or on Form 1040X for 2013), enter on line 5 the amount from your 2013 Schedule J, line 11.

- 2012 but not 2013, enter on line 5 the amount from your 2012 Schedule J, line 15.

- 2011 but not 2012 or 2013, enter on line 5 the amount from your 2011 Schedule J, line 3.

If you figured your tax for 2011, 2012, and 2013 without using Schedule J, enter on line 5 the taxable income from your 2011 tax return (or as previously adjusted by the IRS, or corrected on an amended return). But if that amount is zero or less, complete the 2011 Taxable Income Worksheet to figure the amount to enter on line 5.

If you did not file a tax return for 2011, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2011 for at least 3 years after April 15, 2015 (or the date you file your 2014 tax return, if later).

Instructions for 2011 Taxable Income Worksheet

Line 2. Any net capital loss deduction on your 2011 Schedule D, line 21, is not allowed for income averaging purposes to the extent it did not reduce your capital loss carryover to 2012. This could happen if the taxable income before subtracting exemptions—shown on your 2011 Form 1040, line 41, or your 2011 Form 1040NR, line 39 (or as previously adjusted)—was less than zero. Enter on line 2 the amount by which your 2011 capital loss carryover to 2012 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2011 Schedule D, line 16,

over the loss on your 2011 Schedule D, line 21. If you had any Net Operating Loss (NOL) carrybacks to 2011, be sure you refigured your 2011 capital loss carryover to 2012.

Line 3. If you had an NOL for 2011, enter the amount of that NOL from line 25 of the 2011 Form 1045, Schedule A, you filed with Form 1045 or Form 1040X. If you did not have an NOL for 2011, enter the portion, if any, of the NOL carryovers and carrybacks to 2011 that were not used in 2011 and were carried to years after 2011.

Example. John Farmington, who is single, did not use income averaging for 2011, 2012, or 2013. For 2014, John has \$18,000 of elected farm income on Schedule J, line 2a. The taxable income before subtracting exemptions on his 2011 Form 1040, line 41, is \$4,550. A deduction for exemptions of \$3,700 is shown on line 42, and line 43, taxable income, is \$850. However, John had a \$20,950 NOL for 2012, \$9,000 of which was remaining to carry to 2011 after the NOL was carried back to 2010. To complete line 1 of the 2011 Taxable Income Worksheet, John combines the \$9,000 NOL deduction with the \$850 from his 2011 Form 1040, line 43. The result is a negative \$8,150, John's 2011 taxable income, which he enters as a positive amount on line 1 of the 2011 Taxable Income Worksheet.

When John filed his 2011 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 21 (which was also entered on Form 1040, line 13), a \$7,000 loss on Schedule D, line 16, and a \$4,000 capital loss carryover to 2012. However, when John carried back the 2012 NOL (\$9,000 of which was carried to 2011), he refigured his 2011 capital loss carryover to 2012 as \$7,000. John adds the \$3,000 from Schedule D, line 21, and the \$7,000 capital loss carryover. He subtracts from the \$10,000 result the \$7,000 loss on his Schedule D, line 16, and enters \$3,000 on line 2 of the worksheet.

John had \$850 of taxable income in 2011 that reduced the 2012 NOL carryback. The \$3,700 exemption deduction and \$3,000 net capital loss deduction also reduced the amount of the 2012 NOL carryback. As a result, only \$1,450 (\$9,000 - \$850 - \$3,700 - \$3,000 = \$1,450) was available to carry to 2013 and later years, as shown on line 10 of his 2012 Form 1045, Schedule B. John enters the \$1,450 on line 3 of the worksheet, and \$4,450 (\$1,450 plus the \$3,000 line 2 amount) on line 4. He then subtracts the \$4,450 from the \$8,150 on line 1 and enters the result, \$3,700, on line 5 of the worksheet. He enters a negative \$3,700 on Schedule J, line 5. He combines that amount with the \$6,000 on Schedule J, line 6, and enters \$2,300 on Schedule J, line 7.

2011 Taxable Income Worksheet—Line 5

Keep for Your Records 

Complete this worksheet if you **did not** use Schedule J to figure your tax for 2012 and 2013 **and** your 2011 taxable income was zero or less. See the instructions above before completing this worksheet for line 5.

- | | |
|---|---|
| 1. Figure the taxable income from your 2011 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2011, do not include any NOL carryovers or carrybacks to 2011. Enter the result as a positive amount | 1. <input style="width: 100px;" type="text"/> |
| 2. If there is a loss on your 2011 Schedule D, line 21, add that loss (as a positive amount) and your 2011 capital loss carryover to 2012. Subtract from that sum the amount of the loss on your 2011 Schedule D, line 16, and enter the result | 2. <input style="width: 100px;" type="text"/> |
| 3. If you had an NOL for 2011, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2011 that were not used in 2011 and were carried to years after 2011 | 3. <input style="width: 100px;" type="text"/> |
| 4. Add lines 2 and 3 | 4. <input style="width: 100px;" type="text"/> |
| 5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 5 | 5. <input style="width: 100px;" type="text"/> |

Line 8

If line 7 is zero, enter -0- on line 8. Otherwise, figure the tax on the amount on line 7 using:

- The 2011 Tax Rate Schedules below,
- The 2011 Qualified Dividends and Capital Gain Tax Worksheet, later,
- The 2011 Schedule D Tax Worksheet in the 2011 Schedule D instructions (but use the 2011 Tax Rate Schedules below when figuring the tax on

lines 34 and 36 of the Schedule D Tax Worksheet), or

- The 2011 Foreign Earned Income Tax Worksheet, later.

If your elected farm income includes net capital gain, you must use the 2011 Schedule D Tax Worksheet to figure the tax on the amount on line 7. However, if you filed Form 2555 or 2555-EZ for 2011, you must first complete the 2011 Foreign Earned Income Tax Worksheet, and then use the 2011 Schedule D Tax

Worksheet to figure the tax on the amount on line 3 of the Foreign Earned Income Tax Worksheet.

When completing the Schedule D Tax Worksheet, you must allocate 1/3 of the amount on line 2b (and 1/3 of the amount on line 2c, if any) to 2011. If for 2011 you had a capital loss that resulted in a capital loss carryover to 2012, do not reduce the elected farm income allocated to 2011 by any part of the carryover.

2011 Tax Rate Schedules—Line 8

Schedule X —Use if your 2011 filing status was Single or you checked filing status box 1 or 2 on Form 1040NR					Schedule Y-2 —Use if your 2011 filing status was Married filing separately or you checked filing status box 3, 4, or 5 on Form 1040NR				
If Schedule J, line 7, is:	<i>But not Over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>		If Schedule J, line 7, is:	<i>But not Over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>	
\$0	\$8,500	.....	10%	\$0	\$0	\$8,500	.....	10%	\$0
8,500	34,500	\$850.00 +	15%	8,500	8,500	34,500	\$850.00 +	15%	8,500
34,500	83,600	4,750.00 +	25%	34,500	34,500	69,675	4,750.00 +	25%	34,500
83,600	174,400	17,025.00 +	28%	83,600	69,675	106,150	13,543.75 +	28%	69,675
174,400	379,150	42,449.00 +	33%	174,400	106,150	189,575	23,756.75 +	33%	106,150
379,150	.....	110,016.50 +	35%	379,150	189,575	.....	51,287.00 +	35%	189,575
Schedule Y-1 —Use if your 2011 filing status was Married filing jointly or Qualifying widow(er) or you checked filing status box 6 on Form 1040NR					Schedule Z —Use if your 2011 filing status was Head of household				
If Schedule J, line 7, is:	<i>But not Over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>		If Schedule J, line 7, is:	<i>But not Over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>	
\$0	\$17,000	.....	10%	\$0	\$0	\$12,150	.....	10%	\$0
17,000	69,000	\$1,700.00 +	15%	17,000	12,150	46,250	\$1,215.00 +	15%	12,150
69,000	139,350	9,500.00 +	25%	69,000	46,250	119,400	6,330.00 +	25%	46,250
139,350	212,300	27,087.50 +	28%	139,350	119,400	193,350	24,617.50 +	28%	119,400
212,300	379,150	47,513.50 +	33%	212,300	193,350	379,150	45,323.50 +	33%	193,350
379,150	.....	102,574.00 +	35%	379,150	379,150	.....	106,637.50 +	35%	379,150



Use this worksheet **only** if both of the following apply.

- Your elected farm income on your 2014 Schedule J, line 2a, does not include any net capital gain.
- You **(a)** entered qualified dividends on your 2011 Form 1040, line 9b (or your 2011 Form 1040A, line 9b, or 2011 Form 1040NR, line 10b); **(b)** entered capital gain distributions directly on your 2011 Form 1040, line 13 (or your 2011 Form 1040A, line 10, or 2011 Form 1040NR, line 14) and were not required to file Schedule D; or **(c)** filed Schedule D in 2011 and you answered “Yes” on lines 17 and 20 of that Schedule D.

<p>1. Amount from your 2014 Schedule J, line 7. If for 2011 you filed Form 2555 or 2555-EZ, enter the amount from line 3 of the 2011 Foreign Earned Income Tax Worksheet</p> <p>2. Amount from your 2011 Form 1040, line 9b* (or your 2011 Form 1040A, line 9b, or 2011 Form 1040NR, line 10b)</p> <p>3. Did you file Schedule D in 2011?*</p> <p><input type="checkbox"/> Yes. Enter the smaller of line 15 or 16 of your 2011 Schedule D, but do not enter less than -0-</p> <p><input type="checkbox"/> No. Enter the amount from your 2011 Form 1040, line 13 (or your 2011 Form 1040A, line 10, or 2011 Form 1040NR, line 14)</p> <p>4. Add lines 2 and 3</p> <p>5. Amount, if any, from your 2011 Form 4952, line 4g</p> <p>6. Subtract line 5 from line 4. If zero or less, enter -0-</p> <p>7. Subtract line 6 from line 1. If zero or less, enter -0-</p> <p>8. Enter one of the of the following three amounts depending on your filing status:</p> <ul style="list-style-type: none"> • \$34,500 if single or married filing separately, or if you checked filing status box 1, 2, 3, 4 or 5 on Form 1040NR; • \$69,000 if married filing jointly or qualifying widow(er) or if you checked filing status box 6 on Form 1040NR; • \$46,250 if head of household. <p>9. Enter the smaller of line 1 or line 8</p> <p>10. Enter the smaller of line 7 or line 9</p> <p>11. Subtract line 10 from line 9. This amount is taxed at 0%</p> <p>12. Enter the smaller of line 1 or line 6</p> <p>13. Enter the amount from line 11</p> <p>14. Subtract line 13 from line 12</p> <p>15. Multiply line 14 by 15% (.15)</p> <p>16. Figure the tax on the amount on line 7. Use the 2011 Tax Rate Schedules</p> <p>17. Add lines 15 and 16</p> <p>18. Figure the tax on the amount on line 1. Use the 2011 Tax Rate Schedules</p> <p>19. Tax. Enter the smaller of line 17 or line 18 here and on your 2014 Schedule J, line 8. If for 2011 you filed Form 2555 or 2555-EZ, do not enter this amount on Schedule J, line 8. Instead, enter it on line 4 of the 2011 Foreign Earned Income Tax Worksheet</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p> <p>7. _____</p> <p>8. _____</p> <p>9. _____</p> <p>10. _____</p> <p>11. _____</p> <p>12. _____</p> <p>13. _____</p> <p>14. _____</p> <p>15. _____</p> <p>16. _____</p> <p>17. _____</p> <p>18. _____</p> <p>19. _____</p>
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*If for 2011 you filed Form 2555 or 2555-EZ, see the footnote in the 2011 Foreign Earned Income Tax Worksheet before completing this line.

2011 Foreign Earned Income Tax Worksheet—Line 8

Keep for Your Records



Use this worksheet if you claimed the foreign earned income exclusion or housing exclusion on your 2011 Form 1040 using Form 2555 or 2555-EZ. However, if Schedule J, line 7, is zero or less do not complete this worksheet.

1. Enter the amount from your 2014 Schedule J, line 7	1.	<input type="text"/>
2. Enter the amount from your (and your spouse's, if filing jointly) 2011 Form 2555, lines 45 and 50, or Form 2555-EZ, line 18	2.	<input type="text"/>
3. Add lines 1 and 2	3.	<input type="text"/>
4. Tax on the amount on line 3. Use the 2011 Tax Rate Schedules, the 2011 Qualified Dividends and Capital Gain Tax Worksheet,* or the 2011 Schedule D Tax Worksheet in the 2011 Schedule D instructions,* whichever applies.	4.	<input type="text"/>
5. Tax on the amount on line 2. Use the 2011 Tax Rate Schedules.	5.	<input type="text"/>
6. Subtract line 5 from line 4. Enter the result. If zero or less, enter -0-. Also include this amount on your 2014 Schedule J, line 8	6.	<input type="text"/>

**Enter the amount from line 3 above on line 1 of the 2011 Qualified Dividends and Capital Gain Tax Worksheet or the 2011 Schedule D Tax Worksheet if you use either of those worksheets to figure the tax on line 4 above. Complete the rest of that worksheet through line 6 (line 10 if you use the Schedule D Tax Worksheet). Next, you must determine if you had a capital gain excess. To find out if you had a capital gain excess, subtract the amount from your 2014 Schedule J, line 7, from line 6 of your 2011 Qualified Dividends and Capital Gain Tax Worksheet (line 10 of your 2011 Schedule D Tax Worksheet). If the result is more than zero, that amount is your capital gain excess.*

If you did not have a capital gain excess, complete the rest of either of those worksheets according to the worksheet's instructions. Then complete lines 5 and 6 above.

If you had a capital gain excess, complete a second 2011 Qualified Dividends and Capital Gain Tax Worksheet or 2011 Schedule D Tax Worksheet (whichever applies) as instructed above but in its entirety and with the following additional modifications. Then complete lines 5 and 6 above. These modifications are to be made only for purposes of filling out the 2011 Foreign Earned Income Tax Worksheet above.

- 1. Reduce (but not below zero) the amount you would otherwise enter on line 3 of your 2011 Qualified Dividends and Capital Gain Tax Worksheet or line 9 of your 2011 Schedule D Tax Worksheet by your capital gain excess.*
- 2. Reduce (but not below zero) the amount you would otherwise enter on line 2 of your 2011 Qualified Dividends and Capital Gain Tax Worksheet or line 6 of your 2011 Schedule D Tax Worksheet by any of your capital gain excess not used in (1) above.*
- 3. Reduce (but not below zero) the amount on your 2011 Schedule D (Form 1040), line 18, by your capital gain excess.*
- 4. Include your capital gain excess as a loss on line 16 of your 2011 Unrecaptured Section 1250 Gain Worksheet in the 2011 Instructions for Schedule D (Form 1040).*

Line 9

If you used Schedule J to figure your tax for:

- 2013 (that is, you entered the amount from the 2013 Schedule J, line 23, on line 44 of your 2013 Form 1040, on line 42 of 2013 Form 1040NR, or on Form 1040X for 2013), enter on line 9 the amount from your 2013 Schedule J, line 15.

- 2012 but not 2013, enter on line 9 the amount from your 2012 Schedule J, line 3.

If you figured your tax for both 2012 and 2013 without using Schedule J, enter on line 9 the taxable income from your 2012 tax return (or as previously adjusted by the IRS or corrected on an amended return). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 9.

If you did not file a tax return for 2012, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2012 until at least 3 years after April 15, 2015 (or the date you file your 2014 tax return, if later).

Instructions for 2012 Taxable Income Worksheet

Line 2. Any net capital loss deduction on your 2012 Schedule D, line 21, is not allowed for income averaging purposes to the extent it did not reduce your capi-

tal loss carryover to 2013. This could happen if the taxable income before subtracting exemptions—shown on your 2012 Form 1040, line 41, or your 2012 Form 1040NR, line 39 (or as previously adjusted)—was less than zero. Enter on line 2 the amount by which your 2012 capital loss carryover to 2013 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2012 Schedule D, line 16, over the loss on your 2012 Schedule D, line 21. If you had any NOL carrybacks to 2012, be sure you refigured your 2012 capital loss carryover to 2013.

Line 3. If you had an NOL for 2012, enter the amount of that NOL from line 25 of the 2012 Form 1045, Schedule A, you filed with Form 1045 or Form 1040X. If you did not have an NOL for 2012, enter the portion, if any, of the NOL carryovers and carrybacks to 2012 that were not used in 2012 and were carried to years after 2012.


Example. John Farmington did not use income averaging for 2011, 2012, or 2013. The taxable income before subtracting exemptions on his 2012 Form 1040, line 41, is a negative \$29,900. A deduction for exemptions of \$3,800 is shown on line 42, and line 43, taxable income, is limited to zero. John subtracts from the \$29,900 loss the \$3,800 deduction for exemptions. The result is a negative \$33,700, John's 2012 taxable income, which he enters as a positive amount on line 1 of the 2012 Taxable Income Worksheet.

When John filed his 2012 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 21 (which was also entered on Form 1040, line 13), and a \$7,000 loss on Schedule D, line 16 (as adjusted). He also had a \$7,000 capital loss carryover to 2013. John adds the \$3,000 from Schedule D, line 21, and the \$7,000 capital loss carryover. He subtracts from the \$10,000 result the \$7,000 loss on his Schedule D, line 16, and enters \$3,000 on line 2 of the worksheet.

John enters \$20,950 on line 3 of the worksheet, the 2012 NOL from his 2012 Form 1045, Schedule A, line 25. Of the \$33,700 negative taxable income, the \$3,800 deduction for exemptions, the \$3,000 capital loss deduction, and his \$5,950 standard deduction were not allowed in figuring the NOL. John had a \$20,950 loss on his 2012 Schedule F, the only other item on his 2012 tax return.

John enters \$23,950 (the \$3,000 line 2 amount plus the \$20,950 line 3 amount) on line 4 and \$9,750 (the \$33,700 line 1 amount minus the \$23,950 line 4 amount) on line 5. He enters \$9,750 as a negative amount on Schedule J, line 9. He enters \$6,000 on Schedule J, line 10, and a negative \$3,750 on Schedule J, line 11. If he uses Schedule J to figure his tax for 2015, he will enter the negative \$3,750 amount on his 2015 Schedule J as his 2012 taxable income for income averaging purposes.

2012 Taxable Income Worksheet—Line 9

Keep for Your Records 

Complete this worksheet if you **did not** use Schedule J to figure your tax for 2013 and your 2012 taxable income was zero or less. See the instructions above before completing this worksheet.

1. Figure the taxable income from your 2012 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2012, do not include any NOL carryovers or carrybacks to 2012. Enter the result as a positive amount	1.	<input type="text"/>
2. If there is a loss on your 2012 Schedule D, line 21, add that loss (as a positive amount) and your 2012 capital loss carryover to 2013. Subtract from that sum the amount of the loss on your 2012 Schedule D, line 16, and enter the result	2.	<input type="text"/>
3. If you had an NOL for 2012, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2012 that were not used in 2012 and were carried to years after 2012	3.	<input type="text"/>
4. Add lines 2 and 3	4.	<input type="text"/>
5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 9	5.	<input type="text"/>

Line 12

If line 11 is zero or less, enter -0- on line 12. Otherwise, figure the tax on the amount on line 11 using:

- The 2012 Tax Rate Schedules below,
- The 2012 Qualified Dividends and Capital Gain Tax Worksheet, later,
- The 2012 Schedule D Tax Worksheet in the 2012 Schedule D instructions (but use the 2012 Tax Rate Schedules below when figuring the tax on the

Schedule D Tax Worksheet, lines 34 and 36), or

- The 2012 Foreign Earned Income Tax Worksheet, later.

If your elected farm income includes net capital gain, you must use the 2012 Schedule D Tax Worksheet to figure the tax on the amount on line 11. However, if you filed Form 2555 or 2555-EZ for 2012, you must first complete the 2012 Foreign Earned Income Tax Worksheet, and then use the 2012 Schedule D Tax

Worksheet to figure the tax on the amount on line 3 of the Foreign Earned Income Tax Worksheet.

When completing the Schedule D Tax Worksheet, you must allocate 1/3 of the amount on line 2b (and 1/3 of the amount on line 2c, if any) to 2012. If for 2012 you had a capital loss that resulted in a capital loss carryover to 2013, do not reduce the elected farm income allocated to 2012 by any part of the carryover.

2012 Tax Rate Schedules—Line 12

Schedule X—Use if your 2012 filing status was Single or you checked filing status box 1 or 2 on Form 1040NR					Schedule Y-2—Use if your 2012 filing status was Married filing separately or you checked filing status box 3, 4, or 5 on Form 1040NR				
If Schedule J, line 11, is:	But not Over—	Enter on Schedule J, line 12	of the amount over—		If Schedule J, line 11, is:	But not Over—	Enter on Schedule J, line 12	of the amount over—	
\$0	\$8,700	.....	10%	\$0	\$0	\$8,700	.....	10%	\$0
8,700	35,350	\$870.00 +	15%	8,700	8,700	35,350	\$870.00 +	15%	8,700
35,350	85,650	4,867.50 +	25%	35,350	35,350	71,350	4,867.50 +	25%	35,350
85,650	178,650	17,442.50 +	28%	85,650	71,350	108,725	13,867.50 +	28%	71,350
178,650	388,350	43,482.50 +	33%	178,650	108,725	194,175	24,332.50 +	33%	108,725
388,350	.....	112,683.50 +	35%	388,350	194,175	.....	52,531.00 +	35%	194,175
Schedule Y-1—Use if your 2012 filing status was Married filing jointly or Qualifying widow(er) or you checked filing status box 6 on Form 1040NR					Schedule Z—Use if your 2012 filing status was Head of household				
If Schedule J, line 11, is:	But not Over—	Enter on Schedule J, line 12	of the amount over—		If Schedule J, line 11, is:	But not Over—	Enter on Schedule J, line 12	of the amount over—	
\$0	\$17,400	.....	10%	\$0	\$0	\$12,400	.....	10%	\$0
17,400	70,700	\$1,740.00 +	15%	17,400	12,400	47,350	\$1,240.00 +	15%	12,400
70,700	142,700	9,735.00 +	25%	70,700	47,350	122,300	6,482.50 +	25%	47,350
142,700	217,450	27,735.00 +	28%	142,700	122,300	198,050	25,220.00 +	28%	122,300
217,450	388,350	48,665.00 +	33%	217,450	198,050	388,350	46,430.00 +	33%	198,050
388,350	.....	105,062.00 +	35%	388,350	388,350	.....	109,229.00 +	35%	388,350



Use this worksheet **only** if both of the following apply.

- Your elected farm income on your 2014 Schedule J, line 2a, does not include any net capital gain.
- You (a) entered qualified dividends on your 2012 Form 1040, line 9b (or your 2012 Form 1040A, line 9b, or 2012 Form 1040NR, line 10b); (b) entered capital gain distributions directly on your 2012 Form 1040, line 13 (or your 2012 Form 1040A, line 10, or 2012 Form 1040NR, line 14) and were not required to file Schedule D; or (c) filed Schedule D in 2012 and you answered “Yes” on lines 17 and 20 of that Schedule D.

1.	Amount from your 2014 Schedule J, line 11. If for 2012 you filed Form 2555 or 2555-EZ, enter the amount from line 3 of the 2012 Foreign Earned Income Tax Worksheet	1.	<input type="text"/>
2.	Amount from your 2012 Form 1040, line 9b* (or your 2012 Form 1040A, line 9b, or 2012 Form 1040NR, line 10b)	2.	<input type="text"/>
3.	Did you file Schedule D in 2012?*	} .. 3.	<input type="text"/>
<input type="checkbox"/>	Yes. Enter the smaller of line 15 or 16 of your 2012 Schedule D, but do not enter less than -0-		
<input type="checkbox"/>	No. Enter the amount from your 2012 Form 1040, line 13 (or your 2012 Form 1040A, line 10, or 2012 Form 1040NR, line 14)		
4.	Add lines 2 and 3	4.	<input type="text"/>
5.	Amount, if any, from your 2012 Form 4952, line 4g	5.	<input type="text"/>
6.	Subtract line 5 from line 4. If zero or less, enter -0-	6.	<input type="text"/>
7.	Subtract line 6 from line 1. If zero or less, enter -0-	7.	<input type="text"/>
8.	Enter one of the following three amounts depending on your filing status:	}	8.
	• \$35,350 if single or married filing separately, or if you checked filing status box 1, 2, 3, 4, or 5 on Form 1040NR;		
	• \$70,700 if married filing jointly or qualifying widow(er) or if you checked filing status box 6 on Form 1040NR;		
	• \$47,350 if head of household.		
9.	Enter the smaller of line 1 or line 8	9.	<input type="text"/>
10.	Enter the smaller of line 7 or line 9	10.	<input type="text"/>
11.	Subtract line 10 from line 9. This amount is taxed at 0%	11.	<input type="text"/>
12.	Enter the smaller of line 1 or line 6	12.	<input type="text"/>
13.	Enter the amount from line 11	13.	<input type="text"/>
14.	Subtract line 13 from line 12	14.	<input type="text"/>
15.	Multiply line 14 by 15% (.15)	15.	<input type="text"/>
16.	Figure the tax on the amount on line 7. Use the 2012 Tax Rate Schedules	16.	<input type="text"/>
17.	Add lines 15 and 16	17.	<input type="text"/>
18.	Figure the tax on the amount on line 1. Use the 2012 Tax Rate Schedules	18.	<input type="text"/>
19.	Tax. Enter the smaller of line 17 or line 18 here and on your 2014 Schedule J, line 12. If for 2012 you filed Form 2555 or 2555-EZ, do not enter this amount on Schedule J, line 12. Instead, enter it on line 4 of the 2012 Foreign Earned Income Tax Worksheet	19.	<input type="text"/>

*If for 2012 you filed Form 2555 or 2555-EZ, see the footnote in the 2012 Foreign Earned Income Tax Worksheet before completing this line.

2012 Foreign Earned Income Tax Worksheet—Line 12

Keep for Your Records



Use this worksheet if you claimed the foreign earned income exclusion or housing exclusion on your 2012 Form 1040 using Form 2555 or 2555-EZ. However, if Schedule J, line 11, is zero or less do not complete this worksheet.

- | | | |
|--|----|--|
| 1. Enter the amount from your 2014 Schedule J, line 11 | 1. | |
| 2. Enter the amount from your (and your spouse's, if filing jointly) 2012 Form 2555, lines 45 and 50, or Form 2555-EZ, line 18 | 2. | |
| 3. Add lines 1 and 2 | 3. | |
| 4. Tax on the amount on line 3. Use the 2012 Tax Rate Schedules, the 2012 Qualified Dividends and Capital Gain Tax Worksheet,* or the 2012 Schedule D Tax Worksheet in the 2012 Schedule D instructions,* whichever applies. | 4. | |
| 5. Tax on the amount on line 2. Use the 2012 Tax Rate Schedules. | 5. | |
| 6. Subtract line 5 from line 4. Enter the result. If zero or less, enter -0-. Also include this amount on your 2014 Schedule J, line 12 | 6. | |

**Enter the amount from line 3 above on line 1 of the 2012 Qualified Dividends and Capital Gain Tax Worksheet or the 2012 Schedule D Tax Worksheet if you use either of those worksheets to figure the tax on line 4 above. Complete the rest of that worksheet through line 6 (line 10 if you use the Schedule D Tax Worksheet). Next, you must determine if you had a capital gain excess. To find out if you had a capital gain excess, subtract the amount from your 2014 Schedule J, line 11, from line 6 of your 2012 Qualified Dividends and Capital Gain Tax Worksheet (line 10 of your 2012 Schedule D Tax Worksheet). If the result is more than zero, that amount is your capital gain excess.*

If you did not have a capital gain excess, complete the rest of either of those worksheets according to the worksheet's instructions. Then complete lines 5 and 6 above.

If you had a capital gain excess, complete a second 2012 Qualified Dividends and Capital Gain Tax Worksheet or 2012 Schedule D Tax Worksheet (whichever applies) as instructed above but in its entirety and with the following additional modifications. Then complete lines 5 and 6 above. These modifications are to be made only for purposes of filling out the 2012 Foreign Earned Income Tax Worksheet above.

- 1. Reduce (but not below zero) the amount you would otherwise enter on line 3 of your 2012 Qualified Dividends and Capital Gain Tax Worksheet or line 9 of your 2012 Schedule D Tax Worksheet by your capital gain excess.*
- 2. Reduce (but not below zero) the amount you would otherwise enter on line 2 of your 2012 Qualified Dividends and Capital Gain Tax Worksheet or line 6 of your 2012 Schedule D Tax Worksheet by any of your capital gain excess not used in (1) above.*
- 3. Reduce (but not below zero) the amount on your 2012 Schedule D (Form 1040), line 18, by your capital gain excess.*
- 4. Include your capital gain excess as a loss on line 16 of your 2012 Unrecaptured Section 1250 Gain Worksheet in the 2012 Instructions for Schedule D (Form 1040).*

Line 13

If you used Schedule J to figure your tax for 2013 (that is, you entered the amount from the 2013 Schedule J, line 23, on line 44 of your 2013 Form 1040, on line 42 of your 2013 Form 1040NR, or on Form 1040X for 2013), enter on line 13 the amount from your 2013 Schedule J, line 3.

If you did not use Schedule J to figure your tax for 2013, enter on line 13 the taxable income from your 2013 tax return (or as previously adjusted by the IRS or corrected on an amended return). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 13.

If you did not file a tax return for 2013, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2013 until at least 3 years after April 15, 2015 (or the date you file your 2014 tax return, if later).

Instructions for 2013 Taxable Income Worksheet

Line 2. Any net capital loss deduction on your 2013 Schedule D, line 21, is not allowed for income averaging purposes to the extent it did not reduce your capital loss carryover to 2014. This could happen if the taxable income before subtracting exemptions—shown on your 2013 Form 1040, line 41, or your 2013

Form 1040NR, line 39 (or as previously adjusted)—was less than zero. Enter on line 2 the amount by which your 2013 capital loss carryover to 2014 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2013 Schedule D, line 16, over the loss on your 2013 Schedule D, line 21.

Line 3. If you had an NOL for 2013, enter the amount of that NOL from line 25 of the 2013 Form 1045, Schedule A, you filed with Form 1045 or Form 1040X. If you did not have an NOL for 2013, enter the portion, if any, of the NOL carryovers and carrybacks to 2013 that were not used in 2013 and were carried to years after 2013.


Example. John Farmington did not use income averaging for 2011, 2012, or 2013. The taxable income before subtracting exemptions on his 2013 Form 1040, line 41, is a negative \$1,000. This amount includes an NOL deduction on his 2013 Form 1040, line 21, of \$1,450. The \$1,450 is the portion of the 2012 NOL that was remaining from 2011 to be carried to 2013. See the examples, earlier. A deduction for exemptions of \$3,900 is shown on Form 1040, line 42, and line 43, taxable income, is limited to zero. John does not have an NOL for 2013. John subtracts from the \$1,000 negative amount on Form 1040, line 41, the \$3,900 deduction for exemptions. The result is a negative \$4,900, John's 2013 taxable income, which he enters as

a positive amount on line 1 of the 2013 Taxable Income Worksheet.

When John filed his 2013 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 21 (which was also entered on Form 1040, line 13), a \$7,000 loss on Schedule D, line 16, and a \$5,000 capital loss carryover to 2014 (his 2013 capital loss carryover to 2014 was \$5,000, not \$4,000, because the amount on his Form 1040, line 41, was a negative \$1,000). John adds the \$3,000 from Schedule D, line 21, and the \$5,000 carryover. He subtracts from the \$8,000 result the \$7,000 loss on his Schedule D, line 16, and enters \$1,000 on line 2 of the worksheet.

John enters -0- on line 3 of the worksheet because he does not have an NOL for 2013 and did not have an NOL carryover from 2013 available to carry to 2014 and later years. The NOL deduction for 2013 of \$1,450 was reduced to zero because it did not exceed his modified taxable income of \$3,450. Modified taxable income is figured by adding back the \$3,000 net capital loss deduction and the \$3,900 exemption deduction to negative taxable income (figured without regard to the NOL deduction) of \$3,450. John enters \$1,000 on line 4 and \$3,900 on line 5. He enters \$3,900 as a negative amount on Schedule J, line 13. He enters \$6,000 on Schedule J, line 14, and \$2,100 on Schedule J, line 15. If he uses Schedule J to figure his tax for 2015, he will enter \$2,100 on his 2015 Schedule J as his 2013 taxable income for income averaging purposes.

2013 Taxable Income Worksheet—Line 13

Keep for Your Records 

Complete this worksheet if your 2013 taxable income was zero or less. See the instructions above before completing this worksheet.

- | | | |
|---|----|----------------------|
| 1. Figure the taxable income from your 2013 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2013, do not include any NOL carryovers or carrybacks to 2013. Enter the result as a positive amount | 1. | <input type="text"/> |
| 2. If there is a loss on your 2013 Schedule D, line 21, add that loss (as a positive amount) and your 2013 capital loss carryover to 2014. Subtract from that sum the amount of the loss on your 2013 Schedule D, line 16, and enter the result | 2. | <input type="text"/> |
| 3. If you had an NOL for 2013, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2013 that were not used in 2013 and were carried to years after 2013 | 3. | <input type="text"/> |
| 4. Add lines 2 and 3 | 4. | <input type="text"/> |
| 5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 13 | 5. | <input type="text"/> |

Line 16

If line 15 is zero or less, enter -0- on line 16. Otherwise, figure the tax on the amount on line 15 using:

- The 2013 Tax Rate Schedules below,
- The 2013 Qualified Dividends and Capital Gain Tax Worksheet, later,
- The 2013 Schedule D Tax Worksheet in the 2013 Schedule D instructions (but use the 2013 Tax Rate Schedules when figuring the tax on the Sched-

ule D Tax Worksheet, lines 42 and 44), or

- The 2013 Foreign Earned Income Tax Worksheet, later.

If your elected farm income includes net capital gain, you must use the 2013 Schedule D Tax Worksheet to figure the tax on the amount on line 15. However, if you filed Form 2555 or 2555-EZ for 2013, you must first complete the 2013 Foreign Earned Income Tax Worksheet, and then use the 2013 Schedule D Tax

Worksheet to figure the tax on the amount on line 3 of the Foreign Earned Income Tax Worksheet.

When completing the Schedule D Tax Worksheet, you must allocate 1/3 of the amount on line 2b (and 1/3 of the amount on line 2c, if any) to 2013. If for 2013 you had a capital loss that resulted in a capital loss carryover to 2014, do not reduce the elected farm income allocated to 2013 by any part of the carryover.

2013 Tax Rate Schedules—Line 16

Schedule X —Use if your 2013 filing status was Single or you checked filing status box 1 or 2 on Form 1040NR					Schedule Y-2 —Use if your 2013 filing status was Married filing separately or you checked filing status box 3, 4, or 5 on Form 1040NR				
If Schedule J, line 15, is:	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>		If Schedule J, line 15, is:	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>	
\$0	\$8,925	.....	10%	\$0	\$0	\$8,925	.....	10%	\$0
8,925	36,250	\$892.50 +	15%	8,925	8,925	36,250	\$892.50 +	15%	8,925
36,250	87,850	4,991.25 +	25%	36,250	36,250	73,200	4,991.25 +	25%	36,250
87,850	183,250	17,891.25 +	28%	87,850	73,200	111,525	14,228.75 +	28%	73,200
183,250	398,350	44,603.25 +	33%	183,250	111,525	199,175	24,959.75 +	33%	111,525
398,350	400,000	115,586.25 +	35%	398,350	199,175	225,000	53,884.25 +	35%	199,175
400,000	.....	116,163.75 +	39.6%	400,000	225,000	.....	62,923.00 +	39.6%	225,000
Schedule Y-1 —Use if your 2013 filing status was Married filing jointly or Qualifying widow(er) or you checked filing status box 6 on Form 1040NR					Schedule Z —Use if your 2013 filing status was Head of household				
If Schedule J, line 15, is:	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>		If Schedule J, line 15, is:	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>	
\$0	\$17,850	.....	10%	\$0	\$0	\$12,750	.....	10%	\$0
17,850	72,500	\$1,785.00 +	15%	17,850	12,750	48,600	\$1,275.00 +	15%	12,750
72,500	146,400	9,982.50 +	25%	72,500	48,600	125,450	6,652.50 +	25%	48,600
146,400	223,050	28,457.50 +	28%	146,400	125,450	203,150	25,865.00 +	28%	125,450
223,050	398,350	49,919.50 +	33%	223,050	203,150	398,350	47,621.00 +	33%	203,150
398,350	450,000	107,768.50 +	35%	398,350	398,350	425,000	112,037.00 +	35%	398,350
450,000	.....	125,846.00 +	39.6%	450,000	425,000	.....	121,364.50 +	39.6%	425,000

Use this worksheet **only** if both of the following apply.

- Your elected farm income on your 2014 Schedule J, line 2a, does not include any net capital gain.
- You (a) entered qualified dividends on your 2013 Form 1040, line 9b (or your 2013 Form 1040A, line 9b, or 2013 Form 1040NR, line 10b); (b) entered capital gain distributions directly on your 2013 Form 1040, line 13 (or your 2013 Form 1040A, line 10, or 2013 Form 1040NR, line 14) and were not required to file Schedule D; or (c) filed Schedule D in 2013 and you answered “Yes” on lines 17 and 20 of that Schedule D.

1.	Amount from your 2014 Schedule J, line 15. If for 2013 you filed Form 2555 or 2555-EZ, enter the amount from line 3 of the 2013 Foreign Earned Income Tax Worksheet	1.	<input type="text"/>
2.	Amount from your 2013 Form 1040, line 9b* (or your 2013 Form 1040A, line 9b, or 2013 Form 1040NR, line 10b)	2.	<input type="text"/>
3.	Did you file Schedule D in 2013?*		
	<input type="checkbox"/> Yes. Enter the smaller of line 15 or 16 of your 2013 Schedule D, but do not enter less than -0-	}	<input type="text"/>
	<input type="checkbox"/> No. Enter the amount from your 2013 Form 1040, line 13 (or your 2013 Form 1040A, line 10, or 2013 Form 1040NR, line 14)		
4.	Add lines 2 and 3	4.	<input type="text"/>
5.	Amount, if any, from your 2013 Form 4952, line 4g	5.	<input type="text"/>
6.	Subtract line 5 from line 4. If zero or less, enter -0-	6.	<input type="text"/>
7.	Subtract line 6 from line 1. If zero or less, enter -0-	7.	<input type="text"/>
8.	Enter one of the following three amounts depending on your filing status:		
	• \$36,250 if single or married filing separately, or if you checked filing status box 1, 2, 3, 4, or 5 on Form 1040NR;	}	<input type="text"/>
	• \$72,500 if married filing jointly or qualifying widow(er) or if you checked filing status box 6 on Form 1040NR;		
	• \$48,600 if head of household.		
9.	Enter the smaller of line 1 or line 8	9.	<input type="text"/>
10.	Enter the smaller of line 7 or line 9	10.	<input type="text"/>
11.	Subtract line 10 from line 9. This amount is taxed at 0%	11.	<input type="text"/>
12.	Enter the smaller of line 1 or line 6	12.	<input type="text"/>
13.	Enter the amount from line 11	13.	<input type="text"/>
14.	Subtract line 13 from line 12	14.	<input type="text"/>
15.	Enter:	}	<input type="text"/>
	\$400,000 if single,		
	\$225,000 if married filing separately,		
	\$450,000 if married filing jointly or qualifying widow(er), \$425,000 if head of household.		
16.	Enter the smaller of line 1 or line 15	16.	<input type="text"/>
17.	Add lines 7 and 11	17.	<input type="text"/>
18.	Subtract line 17 from line 16. If zero or less, enter -0-	18.	<input type="text"/>
19.	Enter the smaller of line 14 or line 18	19.	<input type="text"/>
20.	Multiply line 19 by 15% (.15)	20.	<input type="text"/>
21.	Add lines 11 and 19	21.	<input type="text"/>
22.	Subtract line 21 from line 12	22.	<input type="text"/>
23.	Multiply line 22 by 20% (.20)	23.	<input type="text"/>
24.	Figure the tax on the amount on line 7. Use the 2013 Tax Rate Schedules	24.	<input type="text"/>
25.	Add lines 20, 23, and 24	25.	<input type="text"/>
26.	Figure the tax on the amount on line 1. Use the 2013 Tax Rate Schedules	26.	<input type="text"/>
27.	Tax. Enter the smaller of line 25 or line 26 here and on your 2014 Schedule J, line 16. If for 2013 you filed Form 2555 or 2555-EZ, do not enter this amount on Schedule J, line 16. Instead, enter it on line 4 of the 2013 Foreign Earned Income Tax Worksheet	27.	<input type="text"/>

*If for 2013 you filed Form 2555 or 2555-EZ, see the footnote in the 2013 Foreign Earned Income Tax Worksheet before completing this line.

2013 Foreign Earned Income Tax Worksheet—Line 16

Keep for Your Records



Use this worksheet if you claimed the foreign earned income exclusion or housing exclusion on your 2013 Form 1040 using Form 2555 or 2555-EZ. However, if Schedule J, line 15, is zero or less, do not complete this worksheet.

1. Enter the amount from your 2014 Schedule J, line 15	1.	<input type="text"/>
2. Enter the amount from your (and your spouse's, if filing jointly) 2013 Form 2555, lines 45 and 50, or Form 2555-EZ, line 18	2.	<input type="text"/>
3. Add lines 1 and 2	3.	<input type="text"/>
4. Tax on the amount on line 3. Use the 2013 Tax Rate Schedules, the 2013 Qualified Dividends and Capital Gain Tax Worksheet,* or the 2013 Schedule D Tax Worksheet in the 2013 Schedule D instructions,* whichever applies.	4.	<input type="text"/>
5. Tax on the amount on line 2. Use the 2013 Tax Rate Schedules.	5.	<input type="text"/>
6. Subtract line 5 from line 4. Enter the result. If zero or less, enter -0-. Also include this amount on your 2014 Schedule J, line 16	6.	<input type="text"/>

**Enter the amount from line 3 above on line 1 of the 2013 Qualified Dividends and Capital Gain Tax Worksheet or the 2013 Schedule D Tax Worksheet if you use either of those worksheets to figure the tax on line 4 above. Complete the rest of that worksheet through line 6 (line 10 if you use the Schedule D Tax Worksheet). Next, you must determine if you had a capital gain excess. To find out if you had a capital gain excess, subtract the amount from your 2014 Schedule J, line 15, from line 6 of your 2013 Qualified Dividends and Capital Gain Tax Worksheet (line 10 of your 2013 Schedule D Tax Worksheet). If the result is more than zero, that amount is your capital gain excess.*

If you did not have a capital gain excess, complete the rest of either of those worksheets according to the worksheet's instructions. Then complete lines 5 and 6 above.

If you had a capital gain excess, complete a second 2013 Qualified Dividends and Capital Gain Tax Worksheet or 2013 Schedule D Tax Worksheet (whichever applies) as instructed above but in its entirety and with the following additional modifications. Then complete lines 5 and 6 above. These modifications are to be made only for purposes of filling out the 2013 Foreign Earned Income Tax Worksheet above.

1. Reduce (but not below zero) the amount you would otherwise enter on line 3 of your 2013 Qualified Dividends and Capital Gain Tax Worksheet or line 9 of your 2013 Schedule D Tax Worksheet by your capital gain excess.
2. Reduce (but not below zero) the amount you would otherwise enter on line 2 of your 2013 Qualified Dividends and Capital Gain Tax Worksheet or line 6 of your 2013 Schedule D Tax Worksheet by any of your capital gain excess not used in (1) above.
3. Reduce (but not below zero) the amount on your 2013 Schedule D (Form 1040), line 18, by your capital gain excess.
4. Include your capital gain excess as a loss on line 16 of your 2013 Unrecaptured Section 1250 Gain Worksheet in the 2013 Instructions for Schedule D (Form 1040).

Lines 19, 20, and 21

For reporting purposes, the “tax” line of your tax return may include amounts that are not tax imposed by section 1 of the Internal Revenue Code. For exam-

ple, your “tax” line may, in addition to the tax imposed by section 1, include amounts from Forms 8814 or 4972; alternative minimum tax if you filed Form 1040A; or amounts from the recapture of an education credit. Do not include

these other tax amounts on lines 19 through 21.

If you amended your return or the IRS made changes to it, make sure you enter the corrected amount.