

Instructions for Schedules R and RP

Credit for the Elderly

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Purpose

Some elderly people can pay less tax by using a tax credit. To do this, they must file one of two schedules (R or RP). Your credit cannot be more than your tax (on Form 1040, line 40). The credit is available no matter how long you worked. The amount of the credit is based on your filing status and age, and, if you are married, on your spouse's age. Which schedule you use depends on your age and the kind of income you had.

Schedule R is for people who are 65 or over. However, if you are married filing a joint return and either you or your spouse is under 65 with income from a public retirement system, you may elect to use Schedule RP. The election is made by filing Schedule RP with your return.

Schedule RP is for people under 65 who were employees of Federal, State, or local governments and who had income from a public retirement system.

Examples of these retired employees are: Federal civil service workers, public school teachers, members of police and fire departments, and members of the armed forces. For more information, please get **Publication 524**, Credit for the Elderly.

If you lived with your spouse at any time in 1982, you must file a joint return to take the credit. If you and your spouse lived apart the whole year, you can file either a joint return or separate returns, but you may be limited in what schedule, if any, you can use. If your spouse is 65 or older and you are

under 65 with public retirement system income, you cannot use Schedule RP unless your spouse makes the election with you to use Schedule RP. The election is made by both of you filing Schedule RP with your return. If your spouse does not make the election with you, you cannot claim any credit for the elderly on your separate return.

An individual who is a nonresident alien for any part of the tax year may elect to take the credit if:

- he or she is married to a U.S. citizen or resident at the end of the tax year, and
- the couple choose to be taxed on their worldwide income.

Figuring the Credit

If you want us to, we will figure your credit. Please see page 3 of the Form 1040 Instructions, "IRS Will Figure Your Tax and Some of Your Credits."

If you figure it yourself, first fill out Form 1040 through line 40. Then, read the instructions for the schedule (R or RP) you would use. If you are married and have a choice of schedules, figure your credit both ways to see which schedule will give you more credit.

Line-by-Line Instructions for Schedule R

Be sure to enter your name and social security number at the top.

Boxes A-D

Filing Status and Age

The largest amount you can use to figure the credit is based on your filing status and age, and, if you are married, on your spouse's age. "Single" includes Head of Household and Qualifying Widow(er) with Dependent Child. Check only one box.

Line 1

Enter the amount for the box you checked.

Line 2a

Report pensions and annuities that

are exempt from taxation. (Do not include amounts you received from workmen's compensation insurance, damages, etc., for injury or sickness.) Include payments you received from:

- Social security (before deduction of medicare premiums).
- Railroad retirement (but not supplemental annuities).
- Veterans' pensions (but not military disability pensions).
- A matured U.S. Government life insurance endowment contract (after you subtract all amounts you paid for the contract).

Lines 2b, c, d, and e

Use these lines if your adjusted gross income on Form 1040, line 33, is MORE than the amount printed on line 2c for the box that you checked.

Line 3

Add lines 2a and 2e. Put total on line 3. If the amount on line 3 is the same or more than the amount on line 1, you cannot take the credit; do not file Schedule R.

Line 4

Subtract line 3 from line 1. This is the amount you use to figure your credit.

Line 5

Multiply line 4 by 15% (.15) and enter the result on line 5.

Line 6

Enter the tax from Form 1040, line 40. (If this amount is zero, you cannot take the credit; do not file Schedule R.)

Line 7

Enter the amount from line 5 or line 6, whichever is less. This is your Credit for the Elderly. Put the same amount on Form 1040, line 41.

Line-by-Line Instructions for Schedule RP

Be sure to enter your name and social security number at the top.

Name of Public Retirement System

Please enter the name of the public retirement system of the spouse under 65. If both you and your spouse are under 65 and receive income from a public retirement system(s), enter the name of the public retirement system(s) of both you and your spouse. Identify the husband's public retirement system

with an (H) and the wife's with a (W).

Boxes A-E

Filing Status and Age

The largest amount you can use to figure the credit is based on your filing status and age, and, if you are married, on your spouse's age. "Single" includes Head of Household and Qualifying Widow(er) with Dependent Child. Check only one box.

If you are filing a joint return and checked box C, use column (a) for the wife and column (b) for the husband. If you checked box B, the spouse under 65 should use column (b). If your spouse does not have any retirement income as set forth in line 5, do not complete column (a).

Community Property Income

If you use Schedule RP and file a joint return, you should disregard community property laws in figuring the credit. (Community property States are: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, and Washington.) Enter the total of all taxable and nontaxable income in the column of the spouse who received it.

Line 1

Enter the amount for the box you checked. If you are filing a joint return and you checked box B or C, and you are using both column (a) and column (b) because both you and your spouse have retirement income as set forth in line 5, allocate \$3,750 between you and your spouse. No more than \$2,500 can be entered for either of you. Generally, you will get more credit if the larger amount is entered for the spouse with more retirement income.

Line 2a

Report pensions and annuities that are exempt from taxation. (Do not include amounts you received from workmen's compensation insurance, damages, etc., for injury or sickness.) Include payments you received from:

- Social security (before deduction of medicare premiums).
- Railroad retirement (but not supplemental annuities).
- Veterans' pensions (but not military disability pensions).
- A matured U.S. Government life insurance endowment contract (after you subtract all amounts you paid for the contract).

Line 2b

Use this line if you had wages, salaries, or other earned income (including disability income that you

reported on Form 1040, line 7) of more than:

- \$900 and you were under 62, or
- \$1,200 and you were at least 62 but under 72.

Skip this line and go to line 3 if you:

- were 72 or over, or
- had earned income of \$900 or less, or
- were at least 62 but under 72 and had earned income of \$1,200 or less.

Earned income is income you receive for personal services you have performed. It includes wages, salaries, and professional fees.

Generally, your earned income is the total of the amount(s) you reported on Form 1040, lines 7, 12, and 19.

Earned income does not include pay for your services that included a distribution of earnings and profits other than reasonable compensation for your work for a corporation.

If you were engaged in a trade or business in which both your services and capital were important income-producing factors, your earned income will be based on a reasonable allowance for the services you performed. However, the earned income may not be more than 30 percent of your share of the net profits from the business.

If you were engaged in a trade or business in which capital was not an important income-producing factor, your earned income may not be more than the net earnings from the trade or business.

If you were under 62 and had earned income of more than \$900, subtract \$900 from the amount you earned. Enter the result on line 2b(i).

If you were at least 62 but under 72, and had earned income of more than \$1,200 but not more than \$1,700, subtract \$1,200 from the amount of your earned income. Divide the balance by 2 and enter the result on line 2b(ii).

If you were at least 62 but under 72, and had earned income of more than \$1,700, subtract \$1,450 from your earned income. Enter the result on line 2b(ii).

Line 3

Add lines 2a, 2b(i), and 2b(ii). Put the total on line 3.

Line 4

Subtract line 3 from line 1. This is the largest amount of income you can use to figure your credit.

If the amount on line 3 is more than the amount on line 1 for a column, do not complete the rest of the lines in that column. If the result

for both columns is zero or less, you cannot take the credit; do not file this schedule.

Line 5

The kind of retirement income you enter depends on whether you are under 65 or whether you are 65 or over. Do not include any amount from line 2a; those pensions are not taxable.

Line 5a

If you were under 65 on January 1, 1983, enter the pension or annuity payments you received from a public retirement system and reported as income. Do not enter social security income or railroad retirement that you excluded from gross income.

If your spouse died and you received payments from his or her public retirement plan, enter the payments you reported as income.

If you retired on disability, report your disability annuity payments as retirement income if:

- the payments are for periods after you reached minimum retirement age, and,
- the payments are not reportable on Form 1040, line 7.

Line 5b

If you were 65 or over on January 1, 1983, enter the amount that you reported as income from the sources listed below:

- Individual retirement arrangements (IRA), pension or annuity contracts, and retirement bonds.
- Interest.
- Dividends.
- Gross rents (before subtracting expenses) and taxable rents from trusts and estates.

Line 6

Enter the amount from line 4 or 5, whichever is less.

Line 7

If you are filing a joint return, add the amounts in columns (a) and (b) of line 6. Enter the total on line 7. If you are not filing a joint return, enter the amount from column (b) of line 6.

Line 8

Multiply line 7 by 15% (.15) and enter the result on this line.

Line 9

Enter the tax from Form 1040, line 40. (If this amount is zero, you cannot take the credit; do not file Schedule RP.)

Line 10

Enter the amount from line 8 or 9, whichever is less. This is your Credit for the Elderly. Enter the same amount on Form 1040, line 41.