



Publication 918
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Drafts of Worksheets in IRS Publications

For use in preparing
2000 Returns

(January 2001)

Caution: DRAFT WORKSHEETS

This publication contains early release drafts of selected worksheets from IRS taxpayer information publications. The worksheets are subject to change before they are officially released. The drafts will appear only on the Internet.

If you have comments on any of the draft worksheets, you can submit the comments to us on our web site. Include the word DRAFT in your response and the "Proof as of" date. You may make comments anonymously, or you may include your name and e-mail address or phone number. We cannot respond to all comments due to the high volume we receive. However, we will consider each suggestion carefully.

Contents

Introduction	2
Publication 503	
Worksheet for 1999 Expenses Paid in 2000 ...	3
Publication 523	
Worksheet 1. Adjusted Basis of Home Sold ...	4
Worksheet 2. Gain (or Loss), Exclusion, and Taxable Gain	5
Worksheet 3. Reduced Maximum Exclusion ...	6
Publication 526	
Worksheet for Limit on Deductions	7
Publication 527	
Worksheet for Figuring the Limit on Rental Deductions for a Dwelling Unit Used as a Home	8
Publication 535	
Self-Employed Health Insurance Deduction Worksheet	9
Publication 560	
Rate Table for Self-Employed	10
Rate Worksheet for Self-Employed	10
Deduction Worksheet for Self-Employed	10
Publication 587	
Worksheet To Figure the Deduction for Business Use of Your Home	11
Publication 590	
Worksheet for Reduced IRA Deduction	12
Worksheet to Figure Taxable Part of Distribution	13
Appendix B	
Worksheet 1, Computation of Modified AGI	14
Worksheet 2, Computation of Traditional IRA Deduction	16
Worksheet 3, Computation of Taxable Social Security Benefits	17
Publication 596	
EIC Worksheet A—Earned Income Credit (EIC)	19
EIC Worksheet B—Earned Income Credit (EIC)	20
Worksheet 1—Investment Income If You Are Filing Form 1040	22
Worksheet 2—Earned Income	23
Worksheet 3—Modified AGI If You Are Filing Form 1040	24
Publication 721	
Simplified Method Worksheet	25
Worksheet for Lump-Sum Payment	26
Worksheet for Nonresident Alien Lump-Sum Payment at End of Survivor Annuity	28
Lump-Sum Payment to Estate or Other Beneficiary	28
Publication 915	
Figuring Your Taxable Benefits	29

Figure Your Additional Taxable Benefits (From a Lump-Sum Payment for a Year After 1993)	30
Figure Your Additional Taxable Benefits (From a Lump-Sum Payment for a Year Before 1994)	31
Figure Your Taxable Benefits Under the Lump-Sum Election Method	32
Publication 929	
Capital Gain Distributions — Form 8814	33
Line 9 (Form 8615) Instructions	34
Net Capital Gain on Line 14 (Form 8615)	36
Publication 936	
Worksheet To Figure Your Qualified Loan Limit and Deductible Home Mortgage Interest For the Current Year	37
Publication 946	
Worksheet for Passenger Automobiles (Subject to Special Limits)	38
Publication 972	
Child Tax Credit Worksheet	39
Line 11 Worksheet	41

Introduction

Publication 918 contains draft worksheets from IRS taxpayer information publications for tax year 2000. This publication is available only on the Internet. We plan to issue updates as later drafts become available. We are making these drafts available to help you plan for the coming filing season.

Information with each worksheet includes the form to which the worksheet relates and (if not clear from the worksheet itself) when the worksheet should be used. The worksheet or table number shown on some of these worksheets relates to the publication that contains the worksheet.

Publication 503

Form 2441, Schedule 2 (Form 1040A)

Use this worksheet to figure the credit for child and dependent care expenses for 1999 expenses paid in 2000.

Worksheet for 1999 Expenses Paid in 2000

- 1) Enter your 1999 qualified expenses paid in 1999 _____
- 2) Enter your 1999 qualified expenses paid in 2000 _____
- 3) Add the amounts on lines 1 and 2 _____
- 4) Enter \$2,400 if care was for one qualifying person (\$4,800 if for two or more) _____
- 5) Enter any dependent care benefits received for 1999 and excluded from your income (from line 18 of 1999 Form 2441 or Schedule 2 (Form 1040A)) _____
- 6) Subtract amount on line 5 from amount on line 4 and enter the result _____
- 7) Compare your earned income for 1999 and your spouse's earned income for 1999 and enter the smaller amount _____
- 8) Compare the amounts on lines 3, 6, and 7 and enter the smallest amount _____
- 9) Enter the amount on which you figured the credit for 1999 (from line 6 of 1999 Form 2441 or Schedule 2 (Form 1040A)) _____
- 10) Subtract amount on line 9 from amount on line 8 and enter the result. If zero or less, stop here. You cannot increase your credit by any previous year's expenses _____
- 11) Enter your 1999 adjusted gross income (from line 33 of your 1999 Form 1040 or line 18 of your 1999 Form 1040A) _____
- 12) Find your 1999 adjusted gross income in the table of percentages (shown earlier) and enter the corresponding decimal amount here _____
- 13) Multiply line 10 by line 12. Add this amount to your 2000 credit and enter the total on line 9 of your 2000 Form 2441 or Schedule 2 (Form 1040A). Above line 9, write "PYE," the amount of this credit, and the name and taxpayer identification number of the person for whom you paid the prior year's expenses _____

Publication 523

Form 1040

Use this worksheet to compute the adjusted basis of a home sold.



Worksheet 1. Adjusted Basis of Home Sold

Caution: See if any of the situations listed in Table 1 apply to you before you use this worksheet.

1. Enter the purchase price of the home sold. (If you filed Form 2119 when you originally acquired that home to postpone gain on the sale of a previous home before May 7, 1997, enter the adjusted basis of the new home from that Form 2119.) 1. _____
2. Seller-paid points, for home bought after 1990. (See *Seller-paid points* in this chapter.) Do not include any seller-paid points you already subtracted to arrive at the amount entered on line 1, above. . . . 2. _____
3. Subtract line 2 from line 1 3. _____
4. Settlement fees or closing costs. See *Settlement fees or closing costs* in this chapter. If line 1 includes the adjusted basis of the new home from Form 2119, go to line 6.
 - a. Abstract and recording fees a. _____
 - b. Legal fees (including title search and preparing document) b. _____
 - c. Surveys c. _____
 - d. Title insurance. d. _____
 - e. Transfer or stamp taxes e. _____
 - f. Amounts the seller owed that you agreed to pay (back taxes or interest, recording or mortgage fees, and sales commissions) f. _____
 - g. Other. g. _____
5. Add lines 4a through 4g 5. _____
6. Cost of capital improvements. Do not include any capital improvements included on line 1 above 6. _____
7. Special tax assessments paid for local improvements, such as streets and sidewalks 7. _____
8. Other increases to basis 8. _____
9. Add lines 3, 5, 6, 7, and 8 9. _____
10. Depreciation, related to the business use or rental of the home, claimed (or allowable) 10. _____
11. Other decreases to basis (see *Decreases to basis* in this chapter.) 11. _____
12. Add lines 10 and 11 12. _____
13. **ADJUSTED BASIS OF HOME SOLD.** Subtract line 12 from line 9. Enter here and on Worksheet 2, line 4. 13. _____

Publication 523

Form 1040

Use this worksheet to compute the gain on the sale of a home, the allowable exclusion, and the taxable amount, if any.



Worksheet 2. Gain (or Loss), Exclusion, and Taxable Gain

Part 1—Gain (or Loss) on Sale

- 1. Selling price of home 1. _____
- 2. Selling expenses. 2. _____
- 3. Subtract line 2 from line 1 3. _____
- 4. Adjusted basis of home sold (from Worksheet 1, line 13) 4. _____
- 5. Subtract line 4 from line 3. This is the **gain (or loss)** on the sale. If this is a loss, stop here 5. _____

Part 2—Exclusion and Taxable Gain

- 6. Enter any depreciation claimed on the property for periods after May 6, 1997. If none, enter zero 6. _____
- 7. Subtract line 6 from line 5. (If the result is less than zero, enter zero.) 7. _____
- 8. If you qualify to exclude gain on the sale, enter your maximum exclusion. (See *Maximum Amount of Exclusion* in this chapter.) If you do not qualify to exclude gain, enter -0- 8. _____
- 9. Enter the smaller of line 7 or line 8. This is your exclusion 9. _____
- 10. Subtract line 9 from line 5. This is your taxable gain. Report it as described under *Reporting the Gain* on page 16. If the amount on this line is zero, do not report the sale or exclusion on your tax return. **If the amount on line 6 is more than zero, complete line 11** 10. _____
- 11. Enter the smaller of line 6 or line 10. Enter this amount on line 12 of the *Unrecaptured Section 1250 Gain Worksheet* in the instructions for Schedule D (Form 1040) 11. _____

Publication 523

Form 1040

Use this worksheet to compute the allowable exclusion of gain on the sale of a home in the following situations:

- The home was sold due to a change in health or place of employment, and the ownership and use tests were not met.
- Gain on a home sold after May 6, 1997, had been excluded and this home was sold within 2 years after that date of sale due to a change in health or place of employment.



Worksheet 3. Reduced Maximum Exclusion

		(A)	(B)
		You	Your Spouse
Caution: Complete this worksheet only if you qualify for a reduced maximum exclusion. (See Reduced Maximum Exclusion in this chapter.) Complete column (B) only if you are married filing a joint return.			
1.	Maximum amount	1. <u>\$250,000.00</u>	<u>\$250,000.00</u>
2a.	Enter the number of days that you used the property as a main home during the 5-year period ending on the date of sale. (If married filing jointly, fill in columns (A) and (B))	2a. _____	_____
b.	Enter the number of days that you owned the property during the 5-year period ending on the date of sale. (If married filing jointly and one spouse owned the property longer than the other spouse, both spouses are treated as owning the property for the longer period)	b. _____	_____
c.	Enter the smaller of line 2a or 2b	c. _____	_____
3.	Have you (or your spouse if filing jointly) excluded gain from the sale of another home during the 2-year period ending on the date of this sale? NO. Skip line 3 and enter the number of days from line 2c on line 4. YES. Enter the number of days between the date of the most recent sale of another home on which you excluded gain and the date of sale of this home	3. _____	_____
4.	Enter the smaller of line 2c or 3	4. _____	_____
5.	Divide the amount on line 4 by 730 days. Enter the result as a decimal (rounded to at least 3 places). But do not enter an amount greater than 1.000	5. _____	_____
6.	Multiply the amount on line 1 by the decimal amount on line 5	6. _____	_____
7.	Add the amounts in column (A) and (B) of line 6. This is your reduced maximum exclusion. Enter it here and on Worksheet 2, line 8	7. _____	_____

Publication 527

Schedule E (Form 1040)

Table 2. **Worksheet for Figuring the Limit on Rental Deductions for a Dwelling Unit Used as a Home**

Use this worksheet only if you answer "yes" to all of the following questions.

- Did you use the dwelling unit as a home this year? (See *Dwelling Unit Used as Home*.)
- Did you rent the dwelling unit 15 days or more this year?
- Is the total of your rental expenses and depreciation more than your rental income?

1.	Enter rents received	_____
2a.	Enter the rental portion of deductible home mortgage interest (see instructions)	_____
b.	Enter the rental portion of real estate taxes	_____
c.	Enter the rental portion of deductible casualty and theft losses (see instructions)	_____
d.	Enter direct rental expenses (see instructions)	_____
e.	Fully deductible rental expenses. Add lines 2a–2d	_____
3.	Subtract line 2e from line 1. If zero or less, enter zero	_____
4a.	Enter the rental portion of expenses directly related to operating or maintaining the dwelling unit (such as repairs, insurance, and utilities)	_____
b.	Enter the rental portion of excess mortgage interest (see instructions)	_____
c.	Add lines 4a and 4b	_____
d.	Allowable operating expenses. Enter the smaller of line 3 or line 4c	_____
5.	Subtract line 4d from line 3. If zero or less, enter zero	_____
6a.	Enter the rental portion of excess casualty and theft losses (see instructions)	_____
b.	Enter the rental portion of depreciation of the dwelling unit	_____
c.	Add lines 6a and 6b	_____
d.	Allowable excess casualty and theft losses and depreciation. Enter the smaller of line 5 or line 6c	_____
7a.	Operating expenses to be carried over to next year. Subtract line 4d from line 4c	_____
b.	Excess casualty and theft losses and depreciation to be carried over to next year. Subtract line 6d from line 6c	_____

Enter the amounts on **lines 2e, 4d, and 6d** on the appropriate lines of Schedule E (Form 1040), Part I.

<p>Worksheet Instructions</p> <p>Follow these instructions for the worksheet above. If you were unable to deduct all your expenses last year, because of the rental income limit, add these unused amounts to your expenses for this year.</p> <p>Line 2a. Figure the mortgage interest on the dwelling unit that you could deduct on Schedule A (Form 1040) if you had not rented the unit. Do not include interest on a loan that did not benefit the dwelling unit. For example, do not include interest on a home equity loan used to pay off credit cards or other personal loans, buy a car, or pay college tuition. Include interest on a loan used to buy, build, or improve the dwelling unit, or to refinance such a loan. Enter the rental portion of this interest on line 2a of the worksheet.</p> <p>Line 2c. Figure the casualty and theft losses related to the dwelling unit that you could deduct on Schedule A (Form 1040) if you had not rented the dwelling unit. To do this, complete Section A of Form 4684, treating the losses as personal losses. On line 17 of</p>	<p>Form 4684, enter 10% of your adjusted gross income figured without your rental income and expenses from the dwelling unit. Enter the rental portion of the result from line 18 of Form 4684 on line 2c of this worksheet.</p> <p>Note. Do not file this Form 4684 or use it to figure your personal losses on Schedule A. Instead, figure the personal portion on a separate Form 4684.</p> <p>Line 2d. Enter the total of your rental expenses that are directly related only to the rental activity. These include interest on loans used for rental activities other than to buy, build, or improve the dwelling unit. Also include rental agency fees, advertising, office supplies, and depreciation on office equipment used in your rental activity.</p> <p>Line 4b. On line 2a, you entered the rental portion of the mortgage interest you could deduct on Schedule A if you had not rented out the dwelling unit. Enter on line 4b of this worksheet the rental portion of the mortgage interest you could not deduct on Schedule A because it is more than the limit on home</p>	<p>mortgage interest. Do not include interest on a loan that did not benefit the dwelling unit (as explained in the line 2a instructions).</p> <p>Line 6a. To find the rental portion of excess casualty and theft losses, use the Form 4684 you prepared for line 2c of this worksheet.</p> <p>A. Enter the amount from line 10 of Form 4684 _____</p> <p>B. Enter the rental portion of A _____</p> <p>C. Enter the amount from line 2c of this worksheet _____</p> <p>D. Subtract C from B. Enter the result here and on line 6a of this worksheet _____</p> <p>Allocating the limited deduction. If you cannot deduct all of the amount on line 4c or 6c this year, you can allocate the allowable deduction in any way you wish among the expenses included on line 4c or 6c. Enter the amount you allocate to each expense on the appropriate line of Schedule E, Part I.</p>
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Publication 535

Form 1040

Use this worksheet if any of the following applies:

- More than one source of income is subject to self-employment tax.
- Form 2555 or 2555-EZ is filed.
- Amounts paid for long-term care insurance are used to figure the deduction.



Table 7-1. **Self-Employed Health Insurance Deduction Worksheet** (Keep for your records.)

1) Enter total payments made during the tax year for health insurance established under your business for yourself, your spouse, and your dependents. (Do not include payments for any month you were eligible to participate in a health plan subsidized by your or your spouse's employer. Also, do not include payments for qualified long-term care insurance.)	1) _____
2) For coverage under a qualified long-term care insurance contract, enter for each person covered the lesser of: a) Total payments made for that person during the year, or b) \$220—if that person is age 40 or younger \$410—if age 41 to 50 \$820—if age 51 to 60 \$2,200—if age 61 to 70 \$2,750—if age 71 or older (Do not include payments for any month you were eligible to participate in a long-term care insurance plan subsidized by your or your spouse's employer.) If more than one person is covered, figure separately the amount to enter for each person. Then enter the total of those amounts	2) _____
3) Add the total of lines 1 and 2	3) _____
4) Percentage used to figure deduction for 2000	4) _____ .60
5) Multiply the amount on line 3 by the percentage on line 4	5) _____
6) Enter your net profit and any other earned income* from the trade or business under which the insurance plan is established. (If the business is an S corporation, skip to line 13.)	6) _____
7) Enter the total of all net profits from: line 31, Schedule C (Form 1040); line 3, Schedule C-EZ (Form 1040); line 36, Schedule F (Form 1040); or line 15a, Schedule K-1 (Form 1065); plus any other income allocable to the profitable businesses. See the instructions for Schedule SE (Form 1040). (Do not include any net losses shown on these schedules.)	7) _____
8) Divide line 6 by line 7	8) _____
9) Multiply Form 1040, line 27, by the percentage on line 8	9) _____
10) Subtract line 9 from line 6	10) _____
11) Enter the amount, if any, from Form 1040, line 29, attributable to the same trade or business in which the health insurance plan is established	11) _____
12) Subtract line 11 from line 10	12) _____
13) Enter your wages from an S corporation in which you are a more-than-2% shareholder and in which the health insurance plan is established	13) _____
14) Enter the amount from Form 2555, line 43, attributable to the amount entered on line 6 or 13 above, or the amount from Form 2555-EZ, line 18, attributable to the amount entered on line 13 above	14) _____
15) Subtract line 14 from line 12 or 13, whichever applies	15) _____
16) Compare the amounts on lines 5 and 15 above. Enter the smaller of the two amounts here and on Form 1040, line 28. (Do not include this amount when figuring a medical expense deduction on Schedule A (Form 1040).)	16) _____

***Earned income** includes net earnings and gains from the sale, transfer, or licensing of property you created. It does not include capital gain income.

Publication 560

Form 1040

Use the amount from this rate table to complete the *Deduction Worksheet for Self-Employed* if the plan's contribution rate is a whole number.

Use this worksheet to figure the maximum deductible contribution to a self-employed retirement plan.

Rate Table for Self-Employed

<u>Column A</u>	<u>Column B</u>
If the plan contribution rate is: (shown as %)	Your rate is: (shown as decimal)
1 . . . . .	.009901
2 . . . . .	.019608
3 . . . . .	.029126
4 . . . . .	.038462
5 . . . . .	.047619
6 . . . . .	.056604
7 . . . . .	.065421
8 . . . . .	.074074
9 . . . . .	.082569
10 . . . . .	.090909
11 . . . . .	.099099
12 . . . . .	.107143
13 . . . . .	.115044
14 . . . . .	.122807
15* . . . . .	.130435*
16 . . . . .	.137931
17 . . . . .	.145299
18 . . . . .	.152542
19 . . . . .	.159664
20 . . . . .	.166667
21 . . . . .	.173554
22 . . . . .	.180328
23 . . . . .	.186992
24 . . . . .	.193548
25* . . . . .	.200000*

*The deduction for annual employer contributions to a SEP plan or a profit-sharing plan cannot exceed 13.0435% of your net earnings (figured without deducting contributions for yourself) from the business that has the plan. If the plan is a money purchase plan, the deduction is limited to 20% of your net earnings.

Deduction Worksheet for Self-Employed

Step 1

Enter your rate from the *Rate Table for Self-Employed* or *Rate Worksheet for Self-Employed* . _____

Step 2

Enter the amount from line 3, Schedule C-EZ (Form 1040), line 31, Schedule C (Form 1040), line 36, Schedule F (Form 1040), or line 15a, Schedule K-1 (Form 1065) \$ _____

Step 3

Enter your deduction for self-employment tax from line 27, Form 1040 \$ _____

Step 4

Subtract step 3 from step 2 and enter the result \$ _____

Step 5

Multiply step 4 by step 1 and enter the result \$ _____

Step 6

Multiply \$170,000 by your plan contribution rate. Enter the result but not more than \$30,000. \$ _____

Step 7

Enter the lesser of step 5 or step 6. This is your **maximum deductible contribution**. Enter your deduction on line 29, Form 1040 \$ _____

Use the amount from this worksheet to complete the *Deduction Worksheet for Self-Employed* if the plan's contribution rate is not a whole number.

Rate Worksheet for Self-Employed

- 1) Plan contribution rate as a decimal (for example, 10½% would be 0.105) _____
- 2) Rate in line 1 plus 1 (for example, 0.105 plus 1 would be 1.105) _____
- 3) Self-employed rate as a decimal, rounded to at least 3 decimal places (divide line 1 by line 2) _____

Publication 587

Form 8829

Use this worksheet if Schedule F (Form 1040) is filed or the individual is an employee or partner.

Worksheet To Figure the Deduction for Business Use of Your Home

PART 1—Part of Your Home Used for Business:

- 1) Area of home used for business 1) _____
- 2) Total area of home 2) _____
- 3) Percentage of home used for business (divide line 1 by line 2 and show result as percentage) 3) _____ %

PART 2—Figure Your Allowable Deduction

- 4) Gross income from business (see instructions) 4) _____

	(a) Direct Expenses	(b) Indirect Expenses	
5) Casualty losses	5) _____	_____	
6) Deductible mortgage interest	6) _____	_____	
7) Real estate taxes	7) _____	_____	
8) Total of lines 5 through 7	8) _____	_____	
9) Multiply line 8, column (b), by line 3		9) _____	
10) Add line 8, column (a), and line 9		10) _____	
11) Business expenses not from business use of home (see instructions)		11) _____	
12) Add lines 10 and 11			12) _____
13) Deduction limit. Subtract line 12 from line 4			13) _____
14) Excess mortgage interest	14) _____	_____	
15) Insurance	15) _____	_____	
16) Repairs and maintenance	16) _____	_____	
17) Utilities	17) _____	_____	
18) Other expenses	18) _____	_____	
19) Add lines 14 through 18	19) _____	_____	

- 20) Multiply line 19, column (b) by line 3 20) _____
- 21) Carryover of operating expenses from prior year (see instructions) 21) _____
- 22) Add line 19, column (a), line 20, and line 21 22) _____
- 23) Allowable operating expenses. Enter the **smaller** of line 13 or line 22 23) _____
- 24) Limit on excess casualty losses and depreciation. Subtract line 23 from line 13 24) _____
- 25) Excess casualty losses (see instructions) 25) _____
- 26) Depreciation of your home from line 38 below 26) _____
- 27) Carryover of excess casualty losses and depreciation from prior year (see instructions) 27) _____
- 28) Add lines 25 through 27 28) _____
- 29) Allowable excess casualty losses and depreciation. Enter the **smaller** of line 24 or line 28 29) _____
- 30) Add lines 10, 23, and 29 30) _____
- 31) Casualty losses included on lines 10 and 29 (see instructions) 31) _____
- 32) Allowable expenses for business use of your home. (Subtract line 31 from line 30.) See instructions for where to enter on your return 32) _____

PART 3—Depreciation of Your Home

- 33) Smaller of adjusted basis or fair market value of home (see instructions) 33) _____
- 34) Basis of land 34) _____
- 35) Basis of building (subtract line 34 from line 33) 35) _____
- 36) Business basis of building (multiply line 35 by line 3) 36) _____
- 37) Depreciation percentage (from applicable table or method) 37) _____
- 38) Depreciation allowable (multiply line 36 by line 37) 38) _____

PART 4—Carryover of Unallowed Expenses to Next Year

- 39) Operating expenses. Subtract line 23 from line 22. If less than zero, enter -0- 39) _____
- 40) Excess casualty losses and depreciation. Subtract line 29 from line 28. If less than zero, enter -0- 40) _____

Publication 590

Forms 1040, 1040A, 8606

Worksheet for Reduced IRA Deduction

(Use only if you are covered, or your spouse is covered, by an employer plan and your modified AGI is within the phaseout range that applies.)

If you are covered and your filing status is:	And your modified AGI is over:	Enter on line 1 below:
Single or Head of household	\$32,000	\$42,000
Married—joint return or Qualifying widow(er)	\$52,000	\$62,000
Married—separate return	\$ -0-	\$10,000

If your spouse is covered, but you are not, and your filing status is:	And your modified AGI is over:	Enter on line 1 below:
Married—joint return	\$150,000	\$160,000

- 1) Enter the amount from above that applies \$ _____
- 2) Enter your **modified AGI** (combined, if married filing jointly) \$ _____

Note. If line 2 is equal to or more than the amount on line 1, **stop here**; contributions to your traditional IRA are not deductible.

- 3) Subtract line 2 from 1. (If line 3 is \$10,000 or more, **stop here**; you can take a full IRA deduction for contributions of up to \$2,000 or 100% of your compensation, whichever is less) \$ _____
- 4) Multiply line 3 by 20% (.20). If the result is not a multiple of \$10, round it to the next highest multiple of \$10. (For example, \$611.40 is rounded to \$620.) However, if the result is less than \$200, enter \$200 \$ _____
- 5) Enter your compensation. If you are filing a joint return and your compensation is less than your spouse's, include your spouse's compensation reduced by his or her traditional IRA and Roth IRA and contributions for this year. If you file Form 1040, do not reduce your compensation by any losses from self-employment \$ _____
- 6) Enter contributions you made, or to be made, to your traditional IRA for 2000, but **do not enter** more than \$2,000, see *Excess Contributions*, later \$ _____
- 7) **IRA deduction.** Compare lines 4, 5, and 6. Enter the smallest amount (or a smaller amount if you choose) here and on the Form 1040 or 1040A line for your IRA, whichever applies. If line 6 is more than line 7 and you want to make a nondeductible contribution, go to line 8. \$ _____
- 8) **Nondeductible contribution.** Subtract line 7 from line 5 or 6, whichever is smaller. Enter the result here and on line 1 of your Form 8606 \$ _____

Publication 590

Forms 1040, 1040A

Worksheet to Figure Taxable Part of Distribution

Use only if you made contributions to a traditional IRA for 2000 and have to figure the taxable part of your 2000 distributions to determine your modified AGI. See *How Much Can I Deduct?*, earlier.

- | | |
|--|----------|
| 1) Enter the basis in your traditional IRA(s) as of 12/31/99 | \$ _____ |
| 2) Enter the total of all contributions made to your traditional IRAs during 2000 and all contributions made during 2001 that were for 2000, whether or not deductible . Do not include rollover contributions properly rolled over into IRAs | \$ _____ |
| 3) Add lines 1 and 2 | \$ _____ |
| 4) Enter the value of ALL your traditional IRA(s) as of 12/31/00 (include any outstanding rollovers from traditional IRAs to other traditional IRAs) | \$ _____ |
| 5) Enter the total distributions from traditional IRAs (including amounts converted to Roth IRAs that will be shown on line 14c of Form 8606) received in 2000 (Do not include outstanding rollovers included on line 4 or any rollovers between traditional IRAs completed by 12/31/00. Also do not include certain returned contributions described in the instructions for line 7, Part I, of Form 8606.) | \$ _____ |
| 6) Add lines 4 and 5 | \$ _____ |
| 7) Divide line 3 by line 6. Enter the result as a decimal (to at least two places). Do not enter more than 1.00 | \$ _____ |
| 8) Nontaxable portion of the distribution. Multiply line 5 by line 7. Enter the result here and on line 10 of Form 8606 | \$ _____ |
| 9) Taxable portion of the distribution (before adjustments for conversions) . Subtract line 8 from line 5. Enter the result here and, if there are no amounts converted to Roth IRAs, STOP HERE and enter the result on line 13 of Form 8606 | \$ _____ |
| 10) Enter the amount included on line 9 that is allocable to amounts converted to Roth IRAs by 12/31/00. (See Footnote 1 at the end of this worksheet). Enter here and on line 16 of Form 8606 | \$ _____ |
| 11) Taxable portion of the distribution (after adjustment for conversions) . Subtract line 10 from line 9. Enter the result here and on line 13 of Form 8606 | \$ _____ |

1 – If the amount on line 5 of this worksheet includes an amount converted to a Roth IRA by 12/31/00, you must determine the percentage of the distribution allocable to the conversion. To figure the percentage, divide the amount converted (from line 14c of Form 8606) by the total distributions shown on line 5. To figure the amount to include on line 10 of this worksheet and on line 16, Part II of Form 8606, multiply line 9 of this worksheet by the percentage you figured.

Publication 590

Forms 1040, 1040A

APPENDIX B. Worksheets for Social Security Recipients Who Contribute to a Traditional IRA

If you receive social security benefits, have taxable compensation, contribute to your traditional IRA, and you or your spouse are covered by an employer retirement plan, complete the following worksheets. (See *Are You Covered by an Employer Plan?* in chapter 1.)

Use Worksheet 1 to figure your modified adjusted gross income. This amount is needed in the computation of your IRA deduction, if any, which is figured using Worksheet 2.

The IRA deduction figured using Worksheet 2 is entered on your tax return.

Worksheet 1 Computation of Modified AGI (For use only by taxpayers who receive social security benefits)

Filing Status—Check only one box:

- A.** Married filing a joint return
- B.** Single, Head of Household, Qualifying Widow(er), or Married filing separately and *lived apart* from your spouse during the *entire year*
- C.** Married filing separately and *lived with* your spouse at *any time* during the year

- 1) Adjusted gross income (AGI) from Form 1040 or Form 1040A (not taking into account any social security benefits from Form SSA-1099 or RRB-1099, any deduction for contributions to a traditional IRA, any student loan interest deduction, or any exclusion of interest from savings bonds to be reported on Form 8815) _____
- 2) Enter the amount in box 5 of all Forms SSA-1099 and Forms RRB-1099 _____
- 3) Enter one half of line 2 _____
- 4) Enter the amount of any foreign earned income exclusion, foreign housing exclusion, U.S. possessions income exclusion, exclusion of income from Puerto Rico you claimed as a bona fide resident of Puerto Rico, or exclusion of employer-paid adoption expenses _____
- 5) Enter the amount of any tax-exempt interest reported on line 8b of Form 1040 or 1040A _____
- 6) Add lines 1, 3, 4, and 5 _____
- 7) Enter the amount listed below for your filing status. _____
 - **\$32,000** if you checked box **A** above.
 - **\$25,000** if you checked box **B** above.
 - **\$-0-** if you checked box **C** above.
- 8) Subtract line 7 from line 6. If zero or less, enter 0 on this line _____
- 9) If line 8 is zero, **STOP HERE**. None of your social security benefits are taxable. If line 8 is more than 0, enter the amount listed below for your filing status. _____
 - **\$12,000** if you checked box **A** above.
 - **\$ 9,000** if you checked box **B** above.
 - **\$ -0-** if you checked box **C** above.
- 10) Subtract line 9 from line 8. If zero or less, enter -0-. _____

APPENDIX B. (Continued)

11) Enter the smaller of line 8 or line 9.	_____
12) Enter one half of line 11.	_____
13) Enter the smaller of line 3 or line 12	_____
14) Multiply line 10 by .85. If line 10 is zero, enter -0-	_____
15) Add lines 13 and 14	_____
16) Multiply line 2 by .85.	_____
17) Taxable benefits to be included in Modified AGI for traditional IRA deduction purposes. Enter the smaller of line 15 or line 16.	_____
18) Enter the amount of any employer-paid adoption expenses exclusion and any foreign earned income exclusion and foreign housing exclusion or deduction that you claimed	_____
19) Modified AGI for determining your reduced traditional IRA deduction— add lines 1, 17, and 18. Enter here and on line 2 of Worksheet 2, next.	_____

APPENDIX B. (Continued)

Worksheet 2 Computation of Traditional IRA Deduction (For use only by taxpayers who receive social security benefits)		
If your filing status is:	And your modified AGI is over:	Enter on line 1 below:
Married-joint return or qualifying widow(er)	\$ 52,000*	\$ 62,000
Married-joint return (You are not covered by an employer plan but your spouse is)	\$150,000*	\$160,000
Single, or Head of household	\$ 32,000*	\$ 42,000
Married-separate return**	\$ -0-*	\$ 10,000
<p>* If your modified AGI is <u>not</u> over this amount, you can take an IRA deduction for your contributions of up to the lesser of \$2,000 or your taxable compensation. Skip this worksheet and proceed to Worksheet 3.</p> <p>** If you did <u>not</u> live with your spouse <u>at any time</u> during the year, consider your filing status as single.</p> <p>Note: If you were married and you or your spouse worked and you both contributed to IRAs, figure the deduction for each of you separately.</p>		
<p>1. Enter the applicable amount from above _____</p> <p>2. Enter your modified AGI from Worksheet 1, line 19 _____</p> <p>Note: If line 2 is equal to or more than the amount on line 1, stop here; your traditional IRA contributions are <u>not</u> deductible. Proceed to Worksheet 3.</p> <p>3. Subtract line 2 from line 1 _____</p> <p>4. Multiply line 3 by 20% (.20). If the result is not a multiple of \$10, round it to the next highest multiple of \$10. (For example, \$611.40 is rounded to \$620.) However, if the result is less than \$200, enter \$200 _____</p> <p>5. Enter your compensation. (If you are the lower income spouse, include your spouse's compensation reduced by his or her IRA deduction and any contributions to Roth IRAs.) _____</p> <p>6. Enter contributions you made, or plan to make, to your traditional IRA for 2000, but do not enter more than \$2,000 _____</p> <p>7. Deduction. Compare lines 4, 5, and 6. Enter the smallest amount here (or a smaller amount if you choose). Enter this amount on the Form 1040 or 1040A line for your IRA. (If the amount on line 6 is more than the amount on line 7, complete line 8.) _____</p> <p>8. Nondeductible contributions. Subtract line 7 from line 5 or 6, whichever is smaller. Enter the result here and on line 1 of your Form 8606, <i>Nondeductible IRAs</i>. _____</p>		

APPENDIX B. (Continued)

Worksheet 3 Computation of Taxable Social Security Benefits (For use by taxpayers who receive social security benefits and take a traditional IRA deduction)	
Filing Status —Check only one box: <input type="checkbox"/> A. Married filing a joint return <input type="checkbox"/> B. Single, Head of Household, Qualifying Widow(er), or Married filing separately and <i>lived apart</i> from your spouse during the <i>entire year</i> <input type="checkbox"/> C. Married filing separately and <i>lived with</i> your spouse at any time during the year	
1)	Adjusted gross income (AGI) from Form 1040 or Form 1040A (<i>not taking into account</i> any IRA deduction, any student loan interest deduction, any social security benefits from Form SSA-1099 or RRB-1099, or any exclusion of interest from savings bonds to be reported on Form 8815) _____
2)	Deduction(s) from line 7 of Worksheet(s) 2 _____
3)	Subtract line 2 from line 1 _____
4)	Enter amount in box 5 of all Forms SSA-1099 and Forms RRB-1099 _____
5)	Enter one half of line 4 _____
6)	Enter the amount of any foreign earned income exclusion, foreign housing exclusion, exclusion of income from U.S. possessions, exclusion of income from Puerto Rico you claimed as a bona fide resident of Puerto Rico, or exclusion of employer-paid adoption expenses _____
7)	Enter the amount of any tax-exempt interest reported on line 8b of Form 1040 or 1040A _____
8)	Add lines 3, 5, 6 and 7 _____
9)	Enter the amount listed below for your filing status _____ <ul style="list-style-type: none"> ● \$32,000 if you checked box A above. ● \$25,000 if you checked box B above. ● \$-0- if you checked box C above.
10)	Subtract line 9 from line 8. If zero or less, enter 0 on this line _____
11)	If line 10 is zero, STOP HERE . None of your social security benefits are taxable. If line 10 is more than 0, enter the amount listed below for your filing status _____ <ul style="list-style-type: none"> ● \$12,000 if you checked box A above. ● \$ 9,000 if you checked box B above. ● \$ -0- if you checked box C above.
12)	Subtract line 11 from line 10. If zero or less, enter -0- _____

APPENDIX B. (Continued)

13) Enter the smaller of line 10 or line 11	_____
14) Enter one half of line 13	_____
15) Enter the smaller of line 5 or line 14	_____
16) Multiply line 12 by .85. If line 12 is zero, enter -0-	_____
17) Add lines 15 and 16	_____
18) Multiply line 4 by .85	_____
19) Taxable social security benefits. Enter the smaller of line 17 or line 18	_____

FINAL

Publication 596

Form 1040

Use this worksheet to compute your earned income credit if you must use Publication 596 and you are not self-employed or filing Schedule C or C-EZ as a statutory employee.

EIC Worksheet **A**—Earned Income Credit (EIC)

Keep for Your Records

Part 1

All Filers Using Worksheet A

Do not use this worksheet if you are self-employed or a church employee filing Schedule SE or you are filing Schedule C or C-EZ as a statutory employee. Instead, use EIC Worksheet B.

1. Enter your total earned income from Worksheet 2. 1

2. Look up the amount on line 1 above in the EIC Table in the Appendix to find the credit. Enter the credit here. 2

If line 2 is zero, You cannot take the credit.
Put "No" on Form 1040, line 60a; Form 1040A, line 38a; or Form 1040EZ, line 8a.

3. Enter your modified adjusted gross income. (If you filled out Worksheet 3 on page 23, this is the amount on line 17 of that worksheet.) 3

4. Are the amounts on lines 1 and 3 the same?

Yes. Skip line 5; enter the amount from line 2 on line 6.

No. Go to line 5.

Part 2

Filers Who Answered "No" On Line 4

5. Is the amount on line 3 less than:

- \$5,800 if you do not have a qualifying child, **or**
- \$12,700 if you have one or more qualifying children?

Yes. Leave line 5 blank; enter the amount from line 2 on line 6.

No. Look up the amount on line 3 in the EIC Table in the Appendix to find the credit. Enter the credit here. 5

*Look at the amounts on lines 2 and 5. Then, enter the **smaller** amount on line 6.*

Part 3

Your Earned Income Credit

6. This is the amount from Part 1 or Part 2 above. 6

7. Enter the amount of alternative minimum tax from Form 1040, line 41, or included in the total on Form 1040A, line 26, if any. 7

8. Subtract line 7 from line 6. **This is your earned income credit.** 8

Reminder—

✓ Be sure you entered the amount and the type of any nontaxable earned income (Worksheet 2, line 11) on Form 1040, line 60b; Form 1040A, line 38b; or Form 1040EZ, line 8b.

✓ If you have a qualifying child, complete and attach Schedule EIC.

Enter this amount on line 60a (Form 1040); line 38a (Form 1040A); or line 8a (Form 1040EZ)

If your EIC was reduced or disallowed for any year after 1996, see chapter 5 to find out if you must file Form 8862 to take the credit for 2000.

Publication 596

Form 1040

Use this worksheet to compute your earned income credit if you must use Publication 596 and you are self-employed or filing Schedule C or C-EZ as a statutory employee.

EIC Worksheet **B**—Earned Income Credit (EIC)

Keep for Your Records

Use this worksheet if you were self-employed or you are filing Schedule SE because you had church employee income, or you are filing Schedule C or C-EZ as a statutory employee.

TIP:
You can tear this worksheet from the booklet before you begin 

- ✓ Complete the parts below (Parts 1–3) that apply to you. Then, go to Part 4.
- ✓ If you are married filing a joint return, include your spouse's amounts, if any, with yours to figure the amounts to enter in Parts 1 through 3.

Part 1 Self-Employed and People With Church Employee Income, Filing Schedule SE	1a. Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies.	1a	
	b. Enter any amount from Schedule SE, Section B, line 4b or line 5a.	+	1b
	c. Add lines 1a and 1b.	=	1c
	d. Enter the amount from Schedule SE, Section A, line 6, or Section B, line 13, whichever applies.	–	1d
	e. Subtract line 1d from 1c.	=	1e

Part 2 Self-Employed NOT Filing Schedule SE <small>For example, your net earnings from self-employment were less than \$400.</small>	2. Do not include on these lines any statutory employee income or any amount exempt from self-employment tax as the result of the filing and approval of Form 4029 or Form 4361.		
	a. Enter any net farm profit (or loss) from Schedule F, line 36, and from farm partnerships, Schedule K-1 (Form 1065), line 15a.	2a	
	b. Enter any net profit (or loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9.	2b	
	c. Combine lines 2a and 2b.	=	2c

Part 3 Statutory Employees Filing Schedule C or C-EZ	3. Enter the amount from Schedule C, line 1, or Schedule C-EZ, line 1, that you are filing as a statutory employee.	3	
---	--	---	--

Part 4 All Self-Employed, People With Church Employee Income, and Statutory Employees <small>If line 4d includes income on which you should have paid self-employment tax but did not, the IRS may reduce your credit by the amount of self-employment tax not paid.</small>	4a. Combine lines 1e, 2c, and 3.	4a	
	b. Enter your nontaxable earned income from Worksheet 2, line 11.	+	4b
	c. Enter your taxable earned income from Worksheet 2, line 7.	+	4c
	d. Combine lines 4a, 4b, and 4c. This is your total earned income.	=	4d
	5. If you have: <ul style="list-style-type: none"> ● 2 or more qualifying children, is line 4d less than \$31,152? ● 1 qualifying child, is line 4d less than \$27,413? ● No qualifying children, is line 4d less than \$10,380? 		
	<input type="checkbox"/> Yes. If you want the IRS to figure your credit, see page 25. If you want to figure the credit yourself, enter the amount from line 4d on line 6 (page 31).		
	<input type="checkbox"/> No.  You cannot take the credit. Put "No" on Form 1040, line 60a; Form 1040A, line 38a; or Form 1040EZ, line 8a.		

Publication 596

Form 1040

Use this worksheet to compute your earned income credit if you must use Publication 596 and you are self-employed or filing Schedule C or C-EZ as a statutory employee.

EIC Worksheet **B**—Continued

Keep for Your Records

Part 5

All Filers Using Worksheet B

6. Enter your total earned income from Part 4, line 4d, of this worksheet. 6

7. Look up the amount on line 6 above in the EIC Table in the Appendix to find the credit. Enter the credit here. 7

If line 7 is zero,  You cannot take the credit. Put "No" on Form 1040, line 60a; Form 1040A, line 38a; or Form 1040EZ, line 8a.

8. Enter your modified adjusted gross income. (If you filled out Worksheet 3 on page 23, this is the amount on line 17 of that worksheet.) 8

9. Are the amounts on lines 8 and 6 the same?

Yes. Skip line 10; enter the amount from line 7 on line 11.

No. Go to line 10.

10. Is the amount on line 8 less than:

- \$5,800 if you do not have a qualifying child, or
- \$12,700 if you have one or more qualifying children?

Yes. Leave line 10 blank; enter the amount from line 7 on line 11.

No. Look up the amount on line 8 in the EIC Table in the Appendix to find the credit. Enter the credit here. 10

Look at the amounts on lines 10 and 7. Then, enter the **smaller** amount on line 11.

Part 6

Your Earned Income Credit

11. This is the amount from Part 5 above. 11

12. Enter the amount of alternative minimum tax from Form 1040, line 41, or included in the total on Form 1040A, line 26, if any. 12

13. Subtract line 12 from line 11. **This is your earned income credit.** 13

Reminder—

- ✓ Be sure you entered the amount and the type of any nontaxable earned income (Worksheet 2, line 11) on Form 1040, line 60b; Form 1040A, line 38b; or Form 1040EZ, line 8b.
- ✓ If you have a qualifying child, complete and attach Schedule EIC.

Enter this amount on line 60a (Form 1040); line 38a (Form 1040A); or line 8a (Form 1040EZ)



If your EIC was reduced or disallowed for any year after 1996, see chapter 5 to find out if you must file Form 8862 to take the credit for 2000.

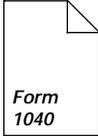
Publication 596

Form 1040

Use this worksheet to compute your investment income for the earned income credit if you must use Publication 596.



Worksheet 1: Investment Income If You Are Filing Form 1040



Interest and Dividends

1. Enter any amount from Form 1040, line 8a. 1. _____
2. Enter any amount from Form 1040, line 8b, plus any amount on Form 8814, line 1b. 2. _____
3. Enter any amount from Form 1040, line 9. 3. _____
4. Enter the amount from Form 1040, line 21, that is from Form 8814 if you are filing that form to report your child's interest and dividend income on your return. (See instructions below for line 4 if your child received an Alaska Permanent Fund dividend.) 4. _____

Capital Gain Net Income

5. Enter the amount from Form 1040, line 13. If the amount on that line is a loss, enter zero. 5. _____
6. Enter any gain from Form 4797, *Sales of Business Property*, line 7, column (g). If the amount on that line is a loss, enter zero. (But, if you completed lines 8 and 9 of Form 4797, enter the amount from line 9, column (g) instead.) 6. _____
7. Subtract line 6 of this worksheet from line 5 of this worksheet. (If the result is less than zero, enter zero.) 7. _____

Royalties and Rental Income from Personal Property

8. Enter any royalty income from Schedule E, line 4 plus any income from the rental of personal property shown on Form 1040, line 21. 8. _____
9. Enter any expenses from Schedule E, line 21, related to royalty income, plus any expenses from the rental of personal property deducted on Form 1040, line 32. 9. _____
10. Subtract the amount on line 9 of this worksheet from the amount on line 8. (If the result is less than zero, enter zero.) 10. _____

Passive Activities

11. Enter the total of any net income from passive activities (included on Schedule E, lines 26, 28a (col. (h)), 33a (col. (d)), and 39). (See instructions below for lines 11 and 12.) 11. _____
12. Enter the total of any losses from passive activities (included on Schedule E, lines 26, 28b (col. (g)), 33b (col. (c)), and 39). (See instructions below for lines 11 and 12.) 12. _____
13. Combine the amounts on lines 11 and 12 of this worksheet. (If the result is less than zero, enter zero.) 13. _____
14. Add the amounts on lines 1, 2, 3, 4, 7, 10, and 13. Enter the total. **This is your investment income.** 14. _____

Instructions for line 4. To figure the amount to enter on line 4, start with the amount on line 6 of Form 8814. Multiply that amount by a percentage that is equal to any Alaska Permanent Fund dividends divided by the total amount of interest and dividend income on line 4 of Form 8814. Subtract the result from the amount on line 6 of Form 8814.

Example. Your 10-year old child has interest and dividend income of \$4,000, including \$500 in Alaska Permanent Fund dividends. You choose to report this on your return. You enter \$4,000 on line 4 of Form 8814 and \$2,600 on line 6 of Form 8814 and line 21 of Form 1040. You figure the amount to enter on line 4 of this worksheet as follows:

$$\$2,600 - (\$2,600 \times (\$500 \div \$4,000)) = \$2,275$$

Instructions for lines 11 and 12. In figuring the amount to enter on lines 11 and 12, do not take into account any royalty income (or loss) included on line 26 of Schedule E or any amount included in your taxable earned income. To find out if the income on line 26 or line 29 of Schedule E is from a passive activity, see the Schedule E instructions. If any of the rental real estate income (or loss) included on Schedule E, line 26, is not from a passive activity, print "NPA" and the amount of that income (or loss) on the dotted line next to line 26.

Publication 596

Form 1040

Use this worksheet to compute your earned income for the earned income credit if you must use Publication 596.



Worksheet 2: Earned Income

Note: Do not include on this worksheet any net earnings from self-employment or any income you received as a statutory employee. Instead, enter those amounts on *EIC Worksheet B* (page 29).

Taxable Earned Income

1. Enter the amount from line 7 (Form 1040 or Form 1040A) or line 1 (Form 1040EZ). 1. _____
2. Enter the amount of any taxable scholarship or fellowship grant not reported on a Form W-2. 2. _____
3. **Inmates.** If you received any amount for work done while an inmate in a penal institution and that amount is included in the total on line 7 (Form 1040 or Form 1040A) or line 1 (Form 1040EZ), enter that amount. 3. _____
4. **Clergy.** If you are a member of the clergy who files Schedule SE and the amount on line 2 of that schedule includes an amount that was also reported on line 7 (Form 1040), enter that amount. 4. _____
5. **Church employees.** If you received wages as a church employee (as defined on page 20), enter any amount you included on both line 5a of Schedule SE and line 7 (Form 1040). 5. _____
6. Add the amounts on lines 2, 3, and 4 of this worksheet. 6. _____
7. Subtract line 5 of this worksheet from line 1. **This is your taxable earned income.** 7. _____

Nontaxable Earned Income

8. Enter the amount of any salary deferrals and reductions. 8. _____
9. Enter the value of any meals and lodging that were nontaxable because they were provided for the convenience of your employer. (Do not include any amount included on line 2 of Schedule SE.) 9. _____
10. Enter the total of any other nontaxable amounts you received from your employer for work you performed. (Do not include disability insurance payments for which you paid the premiums or any item listed under *Income That Is Not Earned Income* on page 10. If you are a member of the clergy, do not include any housing allowance or the rental value of a parsonage unless it does not have to be included on line 2 of Schedule SE.) 10. _____
11. Add the amounts on lines 8, 9, and 10 of this worksheet. **This is your nontaxable earned income.** 11. _____
Enter this amount and the type of income on the correct line for your tax return. (This is line 60b (Form 1040), line 38b (Form 1040A), or line 8b (Form 1040EZ).)

Total Earned Income

12. Add the amounts on lines 7 and 11 of this worksheet. **This is your total earned income.** (If you fill out *EIC Worksheet A*, enter this amount on line 1 of that worksheet.) 12. _____

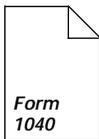
Publication 596

Form 1040

Use this worksheet to compute your modified adjusted gross income (AGI) for the earned income credit if you must use Publication 596.



Worksheet 3: Modified AGI If You Are Filing Form 1040



Enter losses as **positive amounts** (except for lines 7, 8, and 9). For example, if your AGI (Form 1040, line 34) is \$10,000 and you have a \$1,000 capital loss from the sale of stock (Form 1040, line 13), you will enter \$10,000 on line 1 of this worksheet and \$1,000 on line 3. If you do not have to enter any other amounts, your modified AGI is \$11,000 (\$10,000 + \$1,000).

1. Enter the amount from Form 1040, line 34. 1. _____
2. Enter any amount from Form 1040, line 8b, plus any amount on Form 8814, line 1b. 2. _____
3. Enter the amount of any loss claimed on Form 1040, line 13. (If the amount on Form 1040, line 13, is a gain, enter zero.) 3. _____
4. Enter the nontaxable part of a pension, annuity, or individual retirement arrangement (IRA) distribution (any part of the distribution that you did not report on lines 15b or 16b of Form 1040), except any amount that is nontaxable because it was a trustee-to-trustee transfer or a rollover distribution. 4. _____
5. Enter the amount of any loss claimed on Form 1040, line 12. (If the amount on Form 1040, line 12, is a gain, enter zero.) (See instructions below for line 5.) 5. _____
6. Enter the amount of any loss claimed on Form 1040, line 18. (If the amount on Form 1040, line 18, is a gain, enter zero.) 6. _____
7. Enter the amount of any rental real estate income (or loss) included on Schedule E, line 26. (See instructions below for lines 7, 8, and 9.) 7. _____
8. Enter the amount from Schedule E, line 31. (See instructions below for lines 7, 8, and 9.) 8. _____
9. Enter the amount from Schedule E, line 39. (See instructions below for lines 7, 8, and 9.) 9. _____
10. Combine the amounts on lines 7, 8, and 9. If the result is a loss, enter it here. If the result is a gain, enter zero. (See instructions below for line 10.) 10. _____
11. Add the amounts on lines 5, 6, and 10 of this worksheet. Enter the result. 11. _____
12. Multiply the amount on line 11 of this worksheet by 75% (0.75). Enter the result. 12. _____
13. Enter the amount of any loss claimed on Schedule E, line 36. 13. _____
14. Enter any income from the rental of personal property shown on Form 1040, line 21, plus any royalty income from Schedule E, line 4. 14. _____
15. Enter any expenses from the rental of personal property deducted on Form 1040, line 32, plus any expenses from Schedule E, line 21, related to royalty income. 15. _____
16. Subtract the amount on line 15 of this worksheet from the amount on line 14. If the result is a loss, enter it here. If the result is a gain, enter zero. 16. _____
17. Add the amounts on lines 1, 2, 3, 4, 12, 13, and 16 of this worksheet. Enter the total. **This is your modified AGI.** 17. _____

Line 5 instructions. If you have a business loss on line 12 of Form 1040, enter the amount of the loss on line 5 of this worksheet. Do this even if that loss amount is the result of combining gains and losses from more than one Schedule C.

Example. You have two Schedules C. One shows a \$2,000 gain. The other shows a \$10,000 loss. You enter the net loss of \$8,000 on line 12 of Form 1040 and on line 5 of this worksheet.

Line 7, 8, and 9 instructions. These lines are an exception to the rule that all amounts on the worksheet must be positive amounts. On these lines, enter any loss by enclosing it in parentheses.

Line 10 instructions. Combine the amounts on lines 7, 8, and 9 to arrive at the amount on line 10. For example, if you enter \$2,000 on line 7, \$1,000 on line 8, and a loss of (\$3,500) on line 9, enter the loss of \$500 as a positive figure on line 10. But if the result of combining lines 7, 8, and 9 is a gain, enter zero. For example, if you enter \$2,000 on line 7, \$1,000 on line 8, and a loss of (\$2,500) on line 9, enter zero on line 10.

Publication 721

Forms 1040, 1040A

Use this worksheet to compute how much of a CSRS or FERS annuity is taxable and how much of the cost is left to recover.

Table 1. Simplified Method Worksheet (Keep For Your Records)

See the instructions for the worksheet in Part II under *Simplified Method*.

1. Enter the total annuity received this year. Also add this amount to the total for Form 1040, line 16a, or Form 1040A, line 12a	\$ _____
2. Enter your cost in the plan at the annuity starting date, plus any death benefit exclusion _____	_____
<p>NOTE: <i>If your annuity starting date was before this year and you completed this worksheet last year, skip line 3 and enter the amount from line 4 of last year's worksheet on line 4 below. Otherwise, go to line 3.</i></p>	
3. Enter the appropriate number from Table 1 below. But if your annuity starting date was after 1997 and the payments are for your life and that of your beneficiary, enter the appropriate number from Table 2 below	_____
4. Divide line 2 by line 3	_____
5. Multiply line 4 by the number of months for which this year's payments were made. If your annuity starting date was before 1987, enter this amount on line 8 below and skip lines 6, 7, 10, and 11. Otherwise go to line 6	_____
6. Enter any amounts previously recovered tax free in years after 1986	_____
7. Subtract line 6 from line 2	_____
8. Enter the smaller of line 5 or line 7	_____
9. Taxable annuity for year. Subtract line 8 from line 1. Enter the result, but not less than zero. Also add this amount to the total for Form 1040, line 16b, or Form 1040A, line 12b. If your Form CSA 1099R or Form CSF 1099R shows a larger amount, use the amount on this line instead	\$ _____
10. Add lines 6 and 8	_____
11. Balance of cost to be recovered. Subtract line 10 from line 2	\$ _____

Table 1 for Line 3 Above

IF the age at annuity starting date was . . .	AND your annuity starting date was—	
	before November 19, 1996, enter on line 3. . .	after November 18, 1996, enter on line 3. . .
55 or under	300	360
56–60	260	310
61–65	240	260
66–70	170	210
71 or older	120	160

Table 2 for Line 3 Above

IF the combined ages at annuity starting date were. . .	THEN enter on line 3. . .
110 and under	410
111–120	360
121–130	310
131–140	260
141 or older	210

Publication 721

Forms 1040, 1040A

Use this worksheet if a retiree under either CSRS or FERS chose the alternative annuity option.

Table 2. **Worksheet for Lump-Sum Payment (Keep For Your Records)**

See the instructions for the worksheet in Part II under *Alternative Annuity Option*.

1. Enter your lump-sum credit (your cost in the plan at the annuity starting date) \$	_____
2. Enter the present value of your annuity contract	_____
3. Divide line 1 by line 2	_____
4. Tax-free amount. Multiply line 1 by the number on line 3. (<i>Caution: Do not include this amount on line 6 of Table 1 in this publication.</i>)	_____
5. Taxable amount (net cost in the plan). Subtract line 4 from line 1. Include this amount in the total on line 16b of Form 1040 or line 12b of Form 1040A. Also, enter this amount on line 2 of Table 1 in this publication	_____

FINAL

Publication 721

Form 1040NR

Use this worksheet to figure the taxable part of a CSRS or FERS annuity of a nonresident alien retiree or beneficiary.

Worksheet for Nonresident Alien

1. Enter the otherwise taxable amount of the CSRS or FERS annuity (from line 9 of Table 1) or TSP distributions . . . \$ _____
2. Enter the total U.S. Government basic pay other than tax-exempt pay for services performed outside the United States _____
3. Enter the total U.S. Government basic pay for all services _____
4. Divide line 2 by line 3 _____
5. **Limited taxable amount.** Multiply line 1 by the number on line 4. Enter this amount on Form 1040NR, line 17b . . . _____

Publication 721

Forms 1040, 1040A

Use this worksheet to figure the taxable part of a lump-sum CSRS or FERS payment if:

- A survivor annuity ended before the full contributions that were made into the plan were recovered, and
- A lump-sum payment of the contributions that remained when the annuity ended was made.

Lump-Sum Payment at End of Survivor Annuity

1. Enter the lump-sum payment \$ _____
2. Enter the amount of annuity previously received tax-free _____
3. Add lines 1 and 2 _____
4. Enter the employee's total cost _____
5. **Taxable amount.** Subtract line 4 from line 3. Enter the result, but not less than zero _____

Use this worksheet to figure the taxable part of a deceased retiree's CSRS or FERS lump-sum payment.

Lump-Sum Payment to Estate or Other Beneficiary

1. Enter the lump-sum payment \$ _____
2. Enter the amount of annuity received tax-free by the retiree _____
3. Add line 1 and line 2 _____
4. Enter the total cost _____
5. **Taxable amount.** Subtract line 4 from line 3. Enter the result, but not less than zero _____

Publication 915

Forms 1040, 1040A

Use this worksheet to figure taxable social security benefits paid in 2000.



Worksheet 1. Figuring Your Taxable Benefits

Before you start: Is your filing status *Married filing separately*?

No. Go to line 1 below.

Yes. Did you live apart from your spouse all year?

No. Go to line 1 below.

Yes. Do the following if you file:

Form 1040: Enter "D" to the left of line 20a, then go to line 1 below.

Form 1040A: Enter "D" to the right of the word "benefits" on line 14a, then go to line 1 below.

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 1. _____
Note: If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go on to line 2.
2. Enter one-half of line 1 2. _____
3. Enter the total of the amounts from:
Form 1040: Lines 7, 8a, 8b, 9-14, 15b, 16b, 17-19, and 21.
Form 1040A: Lines 7, 8a, 8b, 9, 10, 11b, 12b, and 13 3. _____
4. **Form 1040A filers:** Enter the total of any exclusions for qualified U.S. savings bond interest (Form 8815, line 14) or for adoption benefits (Form 8839, line 26)
Form 1040 filers: Enter the total of any exclusions/adjustments for:
 - Qualified U.S. savings bond interest (Form 8815, line 14)
 - Adoption benefits (Form 8839, line 26)
 - Foreign earned income or housing (Form 2555, lines 43 and 48, or Form 2555-EZ, line 18), and
 - Certain income of bona fide residents of American Samoa (Form 4563, line 15) or Puerto Rico
 4. _____
5. Add lines 2, 3, and 4. 5. _____
6. **Form 1040A filers:** Enter the amount from Form 1040A, line 16. **Form 1040 filers:** Enter the amount from Form 1040, line 32, minus any amount on Form 1040, line 24 6. _____
7. Subtract line 6 from line 5 7. _____
8. Enter \$25,000 (\$32,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time during 2000). 8. _____
9. Subtract line 8 from line 7. If zero or less, enter -0- 9. _____
Note: If line 9 is zero or less, stop here; none of your benefits are taxable. (Do not enter any amounts on Form 1040, line 20a or 20b, or on Form 1040A, line 14a or line 14b. But if you are married filing separately and you lived apart from your spouse for all of 2000, enter -0- on Form 1040, line 20b, or on Form 1040A, line 14b.) Otherwise, go on to line 10.
10. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time during 2000). 10. _____
11. Subtract line 10 from line 9. If zero or less, enter -0- 11. _____
12. Enter the **smaller** of line 9 or line 10 12. _____
13. Enter one-half of line 12 13. _____
14. Enter the **smaller** of line 2 or line 13 14. _____
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- 15. _____
16. Add lines 14 and 15 16. _____
17. Multiply line 1 by 85% (.85) 17. _____
18. **Taxable benefits.** Enter the **smaller** of line 16 or line 17 18. _____

- Enter the amount from line 1 above on Form 1040, line 20a, or on Form 1040A, line 14a.
 - Enter the amount from line 18 above on Form 1040, line 20b, or on Form 1040A, line 14b.
- Note:** If you received a lump-sum payment in this year that was for an earlier year, also complete Worksheet 2 or 3 and Worksheet 4 to see whether you can report a lower taxable benefit.

Publication 915

Forms 1040, 1040A

Use this worksheet if part of the social security benefits are taxable for 2000 and they include benefits paid in 2000 that were for an earlier year after 1993.

Worksheet 2. Figure Your Additional Taxable Benefits (From a Lump-Sum Payment for a Year After 1993)



Enter earlier year _____

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 for the earlier year, plus the lump-sum payment for the earlier year received after that year 1. _____
Note: If line 1 is zero or less, skip lines 2 through 20 and enter -0- on line 21. Otherwise, go on to line 2.
2. Enter one-half of line 1 2. _____
3. Enter the adjusted gross income reported on your return for the earlier year 3. _____
4. Enter the total of any exclusions/adjustments you claimed in the earlier year for adoption benefits (Form 8839), qualified U.S. savings bond interest (Form 8815), student loan interest (Form 1040, line 24, or Form 1040A, line 16), foreign earned income or housing (Form 2555 or Form 2555-EZ), and certain income of bona fide residents of American Samoa (Form 4563) or Puerto Rico 4. _____
5. Enter any tax-exempt interest received in the earlier year 5. _____
6. Add lines 2, 3, 4, and 5 6. _____
7. Enter taxable benefits reported on your return for the earlier year 7. _____
8. Subtract line 7 from line 6 8. _____
9. Enter \$25,000 (\$32,000 if married filing jointly for the earlier year; \$0 if married filing separately for the earlier year and you lived with your spouse at any time during the year) 9. _____
10. Subtract line 9 from line 8, if zero or less, enter -0- 10. _____
Note: If line 10 is zero or less, skip lines 11 through 20 and enter -0- on line 21. Otherwise, go on to line 11.
11. Enter \$9,000 (\$12,000 if married filing jointly for the earlier year; \$0 if married filing separately for the earlier year and you lived with your spouse at any time during the year) 11. _____
12. Subtract line 11 from line 10. If zero or less, enter -0- 12. _____
13. Enter the **smaller** of line 10 or line 11 13. _____
14. Enter one-half of line 13 14. _____
15. Enter the **smaller** of line 2 or line 14 15. _____
16. Multiply line 12 by 85% (.85). If line 12 is zero, enter -0- 16. _____
17. Add lines 15 and 16 17. _____
18. Multiply line 1 by 85% (.85) 18. _____
19. **Refigured taxable benefits.** Enter the **smaller** of line 17 or line 18 19. _____
20. Enter taxable benefits reported on your return for the earlier year (or as refigured due to a previous lump-sum payment for the year) 20. _____
21. **Additional taxable benefits.** Subtract line 20 from line 19. Also enter this amount on line 19 of Worksheet 4 21. _____

Note: Do not file an amended return for this earlier year. Complete a separate Worksheet 2 or Worksheet 3 for each earlier year for which you received a lump-sum payment in 2000.

Publication 915

Forms 1040, 1040A

Use this worksheet if part of the social security benefits are taxable for 2000 and they include benefits paid in 2000 that were for a year before 1994.

Worksheet 3. Figure Your Additional Taxable Benefits (From a Lump-Sum Payment for a Year Before 1994)



Enter earlier year _____

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 for the earlier year, plus the lump-sum payment for the earlier year received after that year 1. _____
Note: If line 1 is zero or less, skip lines 2 through 13 and enter -0- on line 14. Otherwise, go on to line 2.
2. Enter one-half of line 1 2. _____
3. Enter the adjusted gross income reported on your return for the earlier year 3. _____
4. Enter the total of any exclusions/adjustments you claimed in the earlier year for qualified U.S. savings bond interest (Form 8815), foreign earned income or housing (Form 2555 or Form 2555-EZ), and certain income of bona fide residents of American Samoa (Form 4563) or Puerto Rico 4. _____
5. Enter any tax-exempt interest received in the earlier year 5. _____
6. Add lines 2, 3, 4, and 5 6. _____
7. Enter the taxable benefits reported on your return for the earlier year 7. _____
8. Subtract line 7 from line 6 8. _____
9. Enter \$25,000 (\$32,000 if married filing jointly for the earlier year; \$0 if married filing separately for the earlier year and you lived with your spouse at any time during the year) 9. _____
10. Subtract line 9 from line 8, if zero or less, enter -0- 10. _____
Note: If line 10 is zero or less, skip lines 11 through 13 and enter -0- on line 14. Otherwise, go on to line 11.
11. Enter one-half of line 10 11. _____
12. **Refigured taxable benefits.** Enter the **smaller** of line 2 or line 11 12. _____
13. Enter taxable benefits reported on your return for the earlier year (or as refigured due to a previous lump-sum payment for the year) 13. _____
14. **Additional taxable benefits.** Subtract line 13 from line 12. Also enter this amount on line 19 of Worksheet 4 14. _____

Note: Do not file an amended return for this earlier year. Complete a separate Worksheet 2 or Worksheet 3 for each earlier year for which you received a lump-sum payment in 2000.

Publication 915

Forms 1040, 1040A

Use this worksheet if part of the social security benefits are taxable for 2000 and they include benefits paid in 2000 that were for any earlier year.



Worksheet 4. Figure Your Taxable Benefits Under the Lump-Sum Election Method (Use With Worksheet 2 or 3)

Complete Worksheet 1 and Worksheets 2 and 3 as appropriate before completing this worksheet.

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 for 2000, minus the lump-sum payment for years before 2000. 1. _____
Note: If line 1 is zero or less, enter zero on lines 2 and 11 and skip lines 3 through 10. Otherwise, go on to line 2.
2. Enter one-half of line 1 2. _____
3. Enter the amount from line 3 of Worksheet 1 3. _____
4. Enter the amount from line 4 of Worksheet 1 4. _____
5. Add lines 2, 3, and 4 5. _____
6. Enter the amount from line 6 of Worksheet 1 6. _____
7. Subtract line 6 from line 5 7. _____
8. Enter the amount from line 8 of Worksheet 1 8. _____
9. Subtract line 8 from line 7. If zero or less, enter -0- 9. _____
Note: If line 9 is zero or less, skip lines 10 through 17 and enter -0- on line 18. Otherwise, go on to line 10.
10. Enter the amount from line 10 of Worksheet 1 10. _____
11. Subtract line 10 from line 9. If zero or less, enter -0- 11. _____
12. Enter the **smaller** of line 9 or line 10 12. _____
13. Enter one-half of line 12 13. _____
14. Enter the **smaller** of line 2 or line 13 14. _____
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- 15. _____
16. Add lines 14 and 15 16. _____
17. Multiply line 1 by 85% (.85). 17. _____
18. Enter the **smaller** of line 16 or line 17 18. _____
19. Enter the total of the amounts from line 21 of Worksheet 2 and line 14 of Worksheet 3 for all earlier years for which the lump-sum payment was received 19. _____
20. **Taxable benefits under lump-sum election method.** Add lines 18 and 19. 20. _____
Note: If line 20 above is not smaller than line 18 of Worksheet 1, you cannot use this method to figure your taxable benefits. Instead, follow the instructions on Worksheet 1 to report your benefits.

You can elect to report your taxable benefits under this method if line 20 above is smaller than line 18 of Worksheet 1. To elect this method:

- Make the following entries on your return:
 On Form 1040, enter "LSE" to the left of line 20a.
 On Form 1040A, enter "LSE" to the left of line 14a.
- Enter the amount from line 1 of Worksheet 1 on Form 1040, line 20a, or on Form 1040A, line 14a. If you are married filing separately and you lived apart from your spouse for all of 2000, also make the entries described at the top of Worksheet 1.
- If line 20 above is zero, follow the instructions below line 9 on Worksheet 1. Otherwise, enter the amount from line 20 above on Form 1040, line 20b, or on 1040A, line 14b.

Publication 929

Form 8814

Use this worksheet if there is an amount on line 3 of Form 8814.

Capital Gain Distributions—Form 8814

Enter on line 3 of Form 8814 any capital gain distributions your child received.



Use the following worksheet to figure the amount to report as capital gain distributions on Schedule D or, if you are not required to file Schedule D, on line 13 of Form 1040 and the amount to report on Form 8814, line 6.

Worksheet
(Keep for your records)

1. Enter amount from Form 8814, line 3 _____
2. Enter amount from Form 8814, line 4 _____
3. Divide line 1 by line 2 _____
4. Base amount \$1,400
5. Subtract line 4 from line 2 _____
6. Multiply line 5 by the decimal on line 3.
Enter the result here and on Schedule
D, line 13, column (f) or on line 13 of
Form 1040 _____
7. Subtract line 6 from line 5. Enter the
result here and on Form 8814, line 6 _____

On the dotted line next to line 6, Form 8814, write "CGD" and the amount from line 6 of this worksheet. On the dotted line next to line 13, Schedule D, or line 13, Form 1040, write "Form 8814" and the amount from line 6 of this worksheet.

28% rate gain. If any of the child's capital gain distributions are reported on Form 1099-DIV as 28% rate gain, you must determine how much to also include on Schedule D, line 13, column (g). Multiply the child's capital gain distribution included on line 13, column (f) by a fraction. The numerator is the part of the child's total capital gain distribution that is 28% rate gain. The denominator is the child's total capital gain distribution.

Unrecaptured section 1250 gain. If any of the child's capital gain distributions are reported on Form 1099-DIV as unrecaptured section 1250 gain, you must determine how much to include on line 11 of the *Unrecaptured Section 1250 Gain Worksheet* for line 25 of Schedule D in the instructions. Multiply the child's capital gain distribution included on line 13, column (f) by a fraction. The numerator is the part of the child's total capital gain distribution that is unrecaptured section 1250 gain. The denominator is the child's total capital gain distribution.

Section 1202 gain. If any of the child's capital gain distributions are reported as section 1202 gain (gain on qualified small business stock) on Form 1099-DIV, part or all of that gain may be eligible for the section 1202 exclusion. (For information about the exclusion, see the instructions for Schedule D and chapter 4 of Publication 550.) To figure that part, multiply the child's capital gain distribution included on line 13, column (f) by a fraction. The numerator is the part of the child's total capital gain distribution that is section 1202 gain. The denominator is the child's total capital gain distribution. Your section 1202 exclusion is generally 50% of the result, but may be subject to a limit. See the instructions for Schedule D for information on how to report the exclusion amount.

Publication 929

Form 8615

Use these instructions to figure the tax to enter on line 9 (Form 8615) if either of the following applies:

- A net capital gain is included on line 8 (Form 8615).
- Schedule J (Form 1040) is used to figure the parent's tax.

Line 9 (Form 8615) Instructions

The method you will use on line 9 to figure the tax depends on whether line 8 includes any net capital gain. If line 5, 6, or 7 includes net capital gain, then line 8 also includes net capital gain.

Net capital gain is the excess of net long-term capital gain over net short-term capital loss. If Schedule D is required, this is the smaller of the gain on line 16 or the gain on line 17 of **Schedule D**. If Schedule D is not required, this is the amount on line 13 of Form 1040 or line 10 of Form 1040A.

To figure the tax on line 9 of Form 8615, you will need to know the amounts of net capital gain included on lines 5, 6, 7, and 8.

Net capital gain on line 5. If the child has a net capital gain, use the appropriate worksheet below to find the net capital gain included on line 5.



Use the following worksheet only if line 2 of the child's Form 8615 is \$1,400 and lines 3 and 5 are the same amount.

Line 5 Worksheet #1

- A. Enter the child's net capital gain . _____
- B. Enter the amount from line 1 of the child's Form 8615 _____
- C. Divide line A by line B (but do not enter more than 1) _____
- D. Multiply \$1,400 by line C _____
- E. Subtract line D from line A. Enter the result here (but do not enter more than the amount on line 5 of Form 8615). This is the net capital gain included on line 5 _____



Use the following worksheet only if line 2 of the child's Form 8615 is **more** than \$1,400 and lines 3 and 5 are the same amount.

Line 5 Worksheet #2

- A. Enter the child's net capital gain . _____
- B. Enter the child's itemized deductions directly connected with the production of the child's net capital gain _____
- C. Subtract line B from line A _____
- D. Enter the amount from line 1 of the child's Form 8615 _____
- E. Divide line A by line D (but do not enter more than 1) _____
- F. Multiply \$700 by line E _____
- G. Subtract line F from line C. Enter the result here (but do not enter more than the amount on line 5 of Form 8615). This is the net capital gain included on line 5 _____



Use the following worksheet only if line 5 of the child's Form 8615 is less than line 3.

Line 5 Worksheet #3

- A. Enter the child's net capital gain . _____
- B. If the child itemized deductions, enter the child's itemized deductions directly connected with the production of the child's net capital gain _____
- C. Subtract line B from line A _____
- D. If the child can claim his or her own exemption, enter \$2,800*. Otherwise, enter zero _____
- E. If the child itemized deductions, enter the child's itemized deductions *not* directly connected with the production of the child's net capital gain. Otherwise, enter the child's standard deduction _____
- F. Add lines D and E _____
- G. Enter the child's adjusted gross income (line 33 of Form 1040, line 19 of Form 1040A, or line 33 of Form 1040NR) _____
- H. Divide line A by line G (but do not enter more than 1) _____
- I. Multiply line F by line H _____
- J. Subtract line I from line C. Enter the result here (but do not enter more than the amount on line 5 of Form 8615). This is the net capital gain included on line 5 _____

If you enter more than \$128,950 on line G, see *Deduction for Exemptions Worksheet — Line 38* in the Form 1040 instructions for the amount to enter on line D.

Net capital gain on line 8. The net capital gain included on line 8 is the sum of the net capital gains included on lines 5, 6, and 7. Do not take into account any net capital loss that is included on line 5, 6, or 7.

Line 9 (tax on parent's taxable income plus children's net investment income).

Figure the tax on the amount on line 8 using the Tax Table, the Tax Rate Schedules, the Capital Gain Tax Worksheet (in the Form 1040, 1040A, or 1040NR Instructions) or, Schedule D or J (Form 1040), as follows.

● If line 8 **does not** include any net capital gain, use the Tax Table or Tax Rate Schedules to figure this tax. But if Schedule J is used to figure the tax on the parent's return, use it to figure this tax, as explained later.

● If line 8 **does** include any net capital gain, use the Capital Gain Tax Worksheet to figure this tax unless the child, parent, or any other child has unrecaptured section 1250 gain, 28% rate gain, or an amount on Form 4952, line 4e. In that case, use Schedule D. But if Schedule J is used to figure the tax on the parent's return, use it to figure this tax.

Using the Capital Gain Tax Worksheet for line 9 tax. If you use the Capital Gain Tax Worksheet to figure the line 9 tax on Form 8615, complete that worksheet as follows.

- 1) On line 1, enter the amount from line 8 of Form 8615.
- 2) On line 2, enter the amount of the net capital gain included on line 8 of Form 8615.
- 3) Complete lines 3 through 15 following the worksheet instructions. (Use the parent's filing status to complete lines 4, 5, and 14.)

Enter the amount from line 15 of the Capital Gain Tax Worksheet on line 9 of Form 8615 and check the box on that line. Do not attach this worksheet to the child's return.

Using Schedule D for line 9 tax. Complete this worksheet as follows.

- 1) On line 19, enter the amount from line 8 of Form 8615.
- 2) On line 20, enter the net capital gain included on line 8 of Form 8615.
- 3) On line 21, enter the total of the amounts from line 21 of each actual Schedule D.
- 4) On line 22, subtract line 21 from line 20.
- 5) Leave line 23 blank.
- 6) On line 24, enter the total of the following amounts.
 - a) The result of multiplying the amount from line 24 of the child's actual Schedule D, if any, by a fraction. The numerator (top) of the fraction is the net capital gain included on

line 5 of the child's Form 8615 (from the last line of the appropriate *Line 5 Worksheet*, earlier). The denominator (bottom) of the fraction is the child's net capital gain (from line A of the *Line 5 Worksheet*).

- b) The total of the results of multiplying the amount from line 24 of each other child's actual Schedule D, if any, by a fraction figured the same way as in (a), above, using amounts from the other child's *Line 5 Worksheet*.
 - c) The amount from line 24 of the parent's actual Schedule D, if any.
- 7) On line 25, enter the total of the following amounts.
- a) The result of multiplying the amount from line 25 of the child's actual Schedule D, if any, by the fraction used in (6)(a), above.
 - b) The total of the results of multiplying the amount from line 25 of each other child's actual Schedule D, if any, by the fraction used for the other child in (6)(b), above.
 - c) The amount from line 25 of the parent's actual Schedule D, if any.
- 8) Complete lines 26 through 54 following the Schedule D instructions. (Use the parent's filing status to complete lines 29, 33, and 53.)

Enter the amount from line 54 of the worksheet on line 9 of Form 8615 and check the box. Do not attach this worksheet to the child's return.

Using Schedule J for line 9 tax. If Schedule J is used to figure the tax on the parent's return, use **another** Schedule J as a worksheet to figure the tax to enter on line 9 of Form 8615. For purposes of this worksheet, use information from the parent's Schedule J.

Complete this worksheet as follows.

- 1) On line 1, enter the amount from line 8 of Form 8615.
- 2) On line 2, enter the amount from the parent's Schedule J, line 2.
- 3) Complete line 3.
- 4) Complete line 4. If line 8 of Form 8615 includes any net capital gain, use the Capital Gain Tax Worksheet to figure the tax amount on this line unless the child, parent, or any other child has unrecaptured section 1250 gain, 28% rate gain, or an amount on Form 4952, line 4e. In that case, use Schedule D. Follow the earlier instructions under *Using the Capital Gain Tax Worksheet for line 9 tax or Using Schedule D for line 9 tax*, except use the amount on line 3 of **this** worksheet (instead of the amount on line 8 of Form 8615) in item (1) of those instructions.

5) On lines 5–16, enter the amounts from the parent's Schedule J, lines 5–16.

6) Complete line 17.

7) On lines 18–21, enter the amounts from the parent's Schedule J, lines 18–21.

8) Complete line 22.

Enter the amount from line 22 of the worksheet on line 9 of Form 8615 and check the box on that line. Do not attach this worksheet to the child's return.

Publication 929

Form 8615

Use these instructions to figure the tax to enter on line 15 (Form 8615) if a net capital gain is included on line 14 (Form 8615).

Net capital gain on line 14. To figure the tax on line 15, you will need to know the amount of net capital gain included on line 14. To find that amount, subtract the net capital gain included on line 5 (the last line of the appropriate *Line 5 Worksheet*, earlier) from the child's net capital gain (line A of the *Line 5 Worksheet*). The result is the amount of net capital gain included on line 14.

Line 15 (tax on child's taxable income in excess of net investment income). Figure the tax on the amount on line 14 using the Tax Table, the Tax Rate Schedules, the Capital Gain Tax Worksheet, Schedule D (Form 1040), or Schedule J (Form 1040), as follows.

- If line 14 **does not** include any net capital gain, use the Tax Table or Tax Rate Schedules (or Schedule J, if applicable) to figure this tax.
- If line 14 **does** include any net capital gain, use the Capital Gain Tax Worksheet to figure this tax unless the child has unrecaptured section 1250 gain, 28% rate gain, or an amount on Form 4952, line 4e. In that case, use Schedule D. (But use Schedule J instead, if it applies.)

Using the Capital Gain Tax Worksheet for line 15 tax. If you use the Capital Gain Tax Worksheet to figure the line 15 tax on Form 8615, complete that worksheet as follows.

- 1) On line 1, enter the amount from line 14 of Form 8615.
- 2) On line 2, enter the amount of the net capital gain included on line 14 of Form 8615.
- 3) Complete lines 3 through 15 following the worksheet instructions. (Use the child's filing status to complete lines 4, 5, and 14.)

Enter the amount from line 15 of the worksheet on line 15 of Form 8615 and check the box on that line. Do not attach this worksheet to the child's return.

Using Schedule D for line 15 tax. You generally **must** use Schedule D to figure the line 15 tax on Form 8615 if the child has unrecaptured section 1250 gain, 28% rate gain, or an amount on Form 4952, line 4e. If you must use Schedule D, first complete the child's actual Schedule D through line 25. Then figure the tax using Part IV of another Schedule D as a worksheet.

Complete this worksheet as follows.

- 1) On line 19, enter the amount from line 14 of Form 8615.
- 2) Leave line 20 blank.
- 3) Leave line 21 blank.
- 4) On line 22, enter the net capital gain included on line 14 of Form 8615.
- 5) Leave line 23 blank.
- 6) Subtract the amount figured in step (6)(a) under *Using Schedule D for line 9 tax* from the amount on line 24 of the child's actual Schedule D. Enter the result on line 24 of the worksheet.
- 7) Subtract the amount figured in step (7)(a) under *Using Schedule D for line 9 tax* from the amount on line 25 of the child's actual Schedule D. Enter the result on line 25 of the worksheet.
- 8) Complete lines 26 through 54 following the Schedule D instructions. (Use the child's filing status to complete lines 29, 33, and 53.)

Enter the amount from line 54 of the worksheet on line 15 of Form 8615 and check the box on that line. Do not attach this worksheet to the child's return.

Using Schedule J for line 15 tax.

If Schedule J applies, use it as a worksheet to figure the tax to enter on line 15 of Form 8615. On line 1 of this worksheet, enter the amount from line 14 of Form 8615.

Complete lines 2 through 22 following the worksheet instructions.

Enter the amount from line 22 of the worksheet on line 15 of Form 8615 and check the box on that line. Do not attach this worksheet to the child's return.

Publication 936

Schedule A (Form 1040)

Use this worksheet if either of the following applies:

- Mortgages taken out after October 13, 1987, were used for purposes other than to buy, build, or improve the individual's home, and those mortgages totaled over \$100,000 (\$50,000 if married filing separately) at any time during 2000.
- Mortgages taken out after October 13, 1987, were used to buy, build, or improve the individual's home, and those mortgages plus earlier ones totaled over \$1 million (\$500,000 if married filing separately) at any time during 2000.

Table 1. **Worksheet To Figure Your Qualified Loan Limit and Deductible Home Mortgage Interest For the Current Year**

(Keep for your records.) See the **Table 1 Instructions**.



Part I Qualified Loan Limit			
1	Enter the average balance of all your grandfathered debt. See line 1 instructions	1	
2	Enter the average balance of all your home acquisition debt. See line 2 instructions	2	
3	Enter \$1,000,000 (\$500,000 if married filing separately)	3	
4	Enter the larger of the amount on line 1 or the amount on line 3	4	
5	Add the amounts on lines 1 and 2. Enter the total here	5	
6	Enter the smaller of the amount on line 4 or the amount on line 5	6	
7	Enter \$100,000 (\$50,000 if married filing separately). See line 7 instructions for a limit that may apply	7	
8	Add the amounts on lines 6 and 7. Enter the total. This is your qualified loan limit	8	

Part II Deductible Home Mortgage Interest			
9	Enter the total of the average balances of all mortgages on all qualified homes. See line 9 instructions	9	
	<ul style="list-style-type: none"> • If line 8 is less than line 9, GO ON to line 10. • If line 8 is equal to or more than line 9, STOP HERE. All of your interest on all the mortgages included on line 9 is deductible as home mortgage interest on Schedule A (Form 1040). 		
10	Enter the total amount of interest that you paid. See line 10 instructions	10	
11	Divide the amount on line 8 by the amount on line 9. Enter the result as a decimal amount (rounded to three places)	11	× .
12	Multiply the amount on line 10 by the decimal amount on line 11. Enter the result. This is your deductible home mortgage interest . Enter this amount on Schedule A (Form 1040)	12	
13	Subtract the amount on line 12 from the amount on line 10. Enter the result. This is not home mortgage interest . See line 13 instructions	13	

Publication 946

Form 4562

Use this worksheet to help figure the depreciation on passenger automobiles.

Worksheet for Passenger Automobiles (Subject to Special Limits)

Part I

-
- | | |
|---|-------|
| 1. Description of property | _____ |
| 2. Date placed in service | _____ |
| 3. MACRS method (GDS or ADS) | _____ |
| 4. Recovery period | _____ |
| 5. Convention | _____ |
| 6. Depreciation rate (from tables) | _____ |
| 7. Deduction limit for this year from the <i>Maximum Depreciation Deduction for Passenger Automobiles</i> table | _____ |
| 8. Business/investment-use percentage | _____ |
| 9. Multiply line 7 by line 8. This is your adjusted deduction limit | _____ |
| 10. Section 179 deduction claimed this year (not more than line 9). Enter -0- if this is not the year you placed the car in service | _____ |
-

Note.

- 1) If line 10 is equal to line 9, stop here. Your combined section 179 and depreciation deduction is limited to the amount on line 9.
 - 2) If line 10 is less than line 9, complete Part II.
-

Part II

- | | |
|--|-------|
| 11. Subtract line 10 from line 9. This is the maximum amount you can deduct for depreciation | _____ |
| 12. Cost or other basis (reduced by any section 179A deduction* or credit for electric vehicles**) | _____ |
| 13. Multiply line 12 by line 8. This is your business/investment cost | _____ |
| 14. Section 179 deduction claimed in year you placed the car in service | _____ |
| 15. Subtract line 14 from line 13. This is your unadjusted basis for depreciation. | _____ |
| 16. Multiply line 15 by line 6. This is your maximum depreciation deduction | _____ |
| 17. Enter the lesser of line 11 or line 16. This is your depreciation deduction | _____ |
-

* The section 179A deduction is for clean-fuel vehicles or clean-fuel vehicle refueling property. When figuring the amount to enter on line 12, do not reduce your cost or other basis by any section 179 deduction you claimed for your car.

** Reduce the basis by the lesser of \$4,000, or 10% of the cost of the vehicle even if the credit is less than that amount.

Publication 972

Forms 1040, 1040A

USE this worksheet to figure your child tax credit.

Child Tax Credit Worksheet

Keep for Your Records

Before you begin:

You will need any of the following forms that you are filing.

- ✓ Form 2555, Foreign Earned Income
- ✓ Form 2555-EZ, Foreign Earned Income Exclusion
- ✓ Form 4563, Exclusion of Income for Bona Fide Residents of American Samoa



Part 1

1. Number of qualifying children: _____ × \$500. Enter the result.

1

2. Enter the amount from Form 1040, line 34, or Form 1040A, line 19.

2

3. **1040 filers:** Enter the total of any—
• Exclusion of income from Puerto Rico, and
• Amounts from Form 2555, lines 43 and 48;
Form 2555-EZ, line 18; and
Form 4563, line 15.

3

1040A filers: Enter -0-.

4. Add lines 2 and 3. Enter the result.

4

5. Enter the amount shown below for your filing status.

- Married filing jointly - \$110,000
- Single, head of household, or qualifying widow(er) - \$75,000
- Married filing separately - \$55,000

5

6. Is the amount on line 4 more than the amount on line 5?

No. Leave line 6 blank. Enter -0- on line 7.

Yes. Subtract line 5 from line 4.

If the result is not a multiple of \$1,000, increase it to the next multiple of \$1,000 (for example, increase \$425 to \$1,000, increase \$1,025 to \$2,000, etc.).

6

7. Multiply the amount on line 6 by 5% (.05). Enter the result.

7

8. Is the amount on line 1 more than the amount on line 7?

No.

You cannot take the child tax credit on Form 1040, line 47, or Form 1040A, line 30. You also cannot take the additional child tax credit on Form 1040, line 62, or Form 1040A, line 39. Complete the rest of your Form 1040 or 1040A.

Yes. Subtract line 7 from line 1. Enter the result.

Go to Part 2 on the next page.

8

Part 2

9. Enter the amount from Form 1040, line 42, or Form 1040A, line 26. 9

10. Add the amounts from—

<u>Form 1040:</u>	or	<u>Form 1040A:</u>	
Line 43			
Line 44	+	Line 27	
Line 45	+	Line 28	
Line 46	+	Line 29	
Enter the total.			10

11. Is the amount on line 1 of this worksheet \$1,500 or more **AND** are you claiming any of the following credits?

- Adoption credit, Form 8839
- Mortgage interest credit, Form 8396
- District of Columbia first-time homebuyer credit, Form 8859

No. Enter the amount from line 10.

Yes. Complete the *Line 11 Worksheet* on the next page to figure the amount to enter here.

} **11**

12. Subtract line 11 from line 9. Enter the result. **12**

13. Is the amount on line 8 of this worksheet more than the amount on line 12?

No. Enter the amount from line 8.

Yes. Enter the amount from line 12. See the **TIP** below.

} **This is your child tax credit.**

13
Enter this amount on
Form 1040, line 47, or
Form 1040A, line 30.



You may be able to take the **additional child tax credit** on Form 1040, line 62, or Form 1040A, line 39, only if you answered “Yes” on line 13 above **AND** the amount on line 1 is \$1,500 or more.

- First, complete your Form 1040 through line 60b, or Form 1040A through line 38b.
- Then, use Form 8812 to figure any additional child tax credit.

Line 11 Worksheet

Keep for Your Records



Use this worksheet only if you answered "Yes" on line 11 of the Child Tax Credit Worksheet on page 4.



Before you begin:

- ✓ Have your Form(s) W-2 available.
- ✓ **1040 filers:** Complete lines 53, 60a, 60b, and 61 of your return if they apply to you.
- ✓ **1040A filers:** Complete lines 38a and 38b of your return if they apply to you. If you, or your spouse if filing jointly, had more than one employer for 2000 and total wages of over \$56,700, figure any excess social security and railroad retirement (RRTA) taxes withheld. See the instructions for Form 1040A, line 40.

1. Enter the amount from line 8 of the *Child Tax Credit Worksheet* on page 3. 1

If married filing jointly, include your spouse's amounts with yours when completing lines 2 and 3.

2. Enter the total of the following amounts from Form(s) W-2: 2

- Social security taxes from box 4, and
- Medicare taxes from box 6.

Railroad employees, see the bottom of page 6.

3. **1040 filers:** Enter the total of any— 3

- Amounts from Form 1040, lines 27 and 53, and
- Uncollected social security and Medicare or RRTA taxes shown in box 13 of your Form(s) W-2 with codes A, B, M, and N.

1040A filers: Enter -0-.

4. Add lines 2 and 3. Enter the result. 4

5. **1040 filers:** Enter the total of the amounts from Form 1040, lines 60a and 61. 5

1040A filers: Enter the total of any—

- Amount from Form 1040A, line 38a, and
- Excess social security and RRTA taxes withheld that you entered to the left of Form 1040A, line 40.

6. Is the amount on line 4 more than the amount on line 5?

No. Do not complete the rest of this worksheet. Instead, go back to the *Child Tax Credit Worksheet* on page 4 and do the following. Enter the amount from line 10 on line 11 and complete lines 12 and 13. 6

Yes. Subtract line 5 from line 4. Enter the result. Go to line 7 on the next page.

7. Is the amount on line 6 of this worksheet more than the amount on line 1?

No. Subtract line 6 from line 1. Enter the result.

Yes. Enter -0-.

7	
---	--

Next, figure the amount of any of the following credits that you are claiming. Use the amount from line 7 above when you are asked to enter the amount from Form 1040, line 47, or Form 1040A, line 30.

- Adoption credit, Form 8839
- Mortgage interest credit, Form 8396
- District of Columbia first-time homebuyer credit, Form 8859

Then, go to line 8.

8. Enter the total of the amounts from—

- Form 8839, line 14, and
- Form 8396, line 11, and
- Form 8859, line 11.

8	
---	--

9. Enter the amount from line 10 of the *Child Tax Credit Worksheet* on page 4.

9	
---	--

10. Add lines 8 and 9. Enter the result.

10	
----	--

Enter this amount on line 11 of the *Child Tax Credit Worksheet* on page 4.

Railroad Employees

Include the following taxes in the total on line 2 of the *Line 11 Worksheet*.

- ✓ Tier 1 tax withheld from your pay.
This tax should be shown in box 14 of your Form(s) W-2 and identified as "Tier 1 tax."
- ✓ If you were an employee representative, 50% of the total Tier 1 tax and Tier 1 Medicare tax you paid for 2000.