



Instructions for Schedule R (Form 1040) Credit for the Elderly or the Disabled

Purpose of Schedule

Schedule R (Form 1040) is used to figure the credit for the elderly or the disabled.

Who Can Take the Credit

Some people age 65 or older and certain disabled people may take this credit and pay less tax. The credit is based on your filing status, age, and income. If you are married filing a joint return, it is also based on your spouse's age and income.

You may be able to take the credit for 1990 if **either** of the following applies:

- You were **age 65 or older** at the end of 1990, **OR**
- You were **under age 65** at the end of 1990, and you meet **ALL THREE** of the following tests:

1. You were **permanently and totally** disabled on the date you retired; or if you retired before January 1, 1977, you were permanently and totally disabled on January 1, 1976, or January 1, 1977; and
2. You received taxable disability income for 1990; and
3. On January 1, 1990, you had not reached mandatory retirement age (the age when your employer's retirement program would have required you to retire).

For the definition of permanent and total disability, see **What is permanent and total disability?** on this page. Also see the instructions for Part II.

Married persons.—If you were married at the end of 1990, generally you must file a joint return to take the credit. However, if your filing status on Form 1040 is married filing a separate return, you may take the credit only if you lived apart from your spouse **ALL** year

Nonresident aliens.—If you were a nonresident alien at any time during 1990, you may be able to take the credit only if you were married to a U.S. citizen or resident alien at the end of 1990 and you and your spouse elect to file a joint return.

Income limits.—Generally, you cannot take the credit if you are:

- Single and the amount on Form 1040, line 32, is \$17,500 or more; or you received \$5,000 or more of nontaxable social security or other nontaxable pensions.
- Married filing a joint return, only one spouse is eligible for the credit, and the amount on Form 1040, line 32, is \$20,000 or more; or you received \$5,000 or more of nontaxable social security or other nontaxable pensions.
- Married filing a joint return, both spouses are eligible for the credit, and the amount on Form 1040, line 32, is \$25,000 or more; or you received \$7,500 or more of nontaxable social security or other nontaxable pensions.
- Married filing a separate return, you did not live with your spouse all year, and the amount on Form 1040, line 32, is \$12,500 or more; or you received \$3,750 or more of nontaxable social security or other nontaxable pensions.

What is permanent and total disability?—If you were under age 65 at the end of 1990, you must be permanently and totally disabled to take the credit. A person is permanently and totally disabled if **both** of the following apply:

1. He or she cannot engage in any substantial gainful activity because of a physical or mental condition; and
2. A physician determines that the condition: (a) has lasted or can be expected to last continuously for at least a year; or (b) can be expected to lead to death.

Examples 1 and 2 below show situations in which the taxpayers were considered to have engaged in a substantial gainful activity. **Note:** *In each example, the taxpayer was under age 65 at the end of the year*

Example 1. Sue retired on disability as a sales clerk. She now works as a full-time babysitter at a rate of pay equal to the minimum wage. Although she does different work, Sue babysits on ordinary terms for the minimum wage. She cannot take the credit.

Example 2. Mary, the president of XYZ Corporation, retired on disability because of her terminal illness. On her

doctor's advice, she works part-time as a manager and is paid more than the minimum wage. Her employer sets her days and hours. Although Mary's illness is terminal and she works part-time, the work is done at her employer's convenience; therefore, she is considered engaged in a substantial gainful activity. She cannot take the credit.

Example 3 shows a person who might not be considered to be engaged in a substantial gainful activity.

Example 3. John, who retired on disability, took a job with a former employer on a trial basis. The purpose of the job was to see if John could do the work. The trial period lasted for some time during which John was paid at a rate equal to the minimum wage. However, because of John's disability, only light duties of a nonproductive, make-work nature were given him. Unless the activity is both substantial and gainful, John is not engaged in a substantial gainful activity. The activity was gainful because John was paid at a rate at or above the minimum wage. However, the activity was not substantial because the duties were of a nonproductive, make-work nature. Therefore, these facts do not, by themselves, establish John's ability to engage in a substantial gainful activity.

Disability income.—Generally, disability income is the total amount you were paid under your employer's accident and health plan or pension plan that is included in your income as wages or payments in lieu of wages for the time you were absent from work because of permanent and total disability. However, any payment you received from a plan that does not provide for disability retirement is not disability income. In figuring the credit, disability income does **not** include any amount you received from your employer's pension plan after you have reached mandatory retirement age. For more information on disability income, get **Pub. 525**, Taxable and Nontaxable Income.

Additional Information

Get **Pub. 524**, Credit for the Elderly or the Disabled, for more details.

How to Figure the Credit

If you want us to, in most cases we will figure the credit for you. For more details, see the Form 1040 instructions on page 19 under **IRS Will Figure Your Tax and Some of Your Credits**.

If you figure the credit yourself, first fill out Form 1040 through line 41. Then read the instructions on the next page.

Line-by-Line Instructions

Part I

Filing Status and Age

Check the box for your filing status and age. Check only one box. In general, the largest amount you can use to figure the credit is based on your filing status and age, and, if you are married and file a joint return, on your spouse's age.

Part II

Statement of Permanent and Total Disability

If you checked Box 2, 4, 5, 6, or 9 in Part I, and you did not file a physician's statement for 1983 or an earlier year, or you filed a statement for tax years after 1983 and your physician signed on line A of the statement, you must have your physician complete a statement certifying that:

- You were permanently and totally disabled on the date you retired; or
- If you retired before January 1, 1977, you were permanently and totally disabled on January 1, 1976, or January 1, 1977

You must attach this statement to Form 1040. You can use the physician's statement in Part II for this purpose. The physician should show on the statement whether the disability has lasted or can be expected to last continuously for at least a year, or whether there is no reasonable probability that the disabled condition will ever improve. If you file a joint return and you checked Box 5 in Part I, you and your spouse must each file a statement. If both you and your spouse use the statement in Part II, attach a separate Schedule R for your spouse with only Part II filled out. Keep copies of these statements with your tax records.

If you filed a physician's statement for 1983 or an earlier year, or you filed a statement for tax years after 1983 and your physician signed on line B of the statement, you do not have to attach another physician's statement for 1990. However, you must check the box on line 2 in Part II to certify that: (1) you filed a physician's statement in an earlier year; (2) you were permanently and totally disabled during 1990; and (3) you were unable to engage in any substantial gainful activity during 1990 because of your physical or mental condition. If you checked Box 4, 5, or 6 in Part I, write in the space above the box on line 2 in Part II the first name(s) of the spouse(s) for whom the box is checked.

If the Department of Veterans Affairs (VA) certifies that you are permanently and totally disabled, you can file **Form**

6004 instead of the physician's statement. Form 6004 must be signed by a person authorized by the VA to do so. You can get Form 6004 from the VA.

Part III

Figure the Amount of Your Credit

Line 11.—If you checked Box 2, 4, 5, 6, or 9 in Part I, complete line 11 as follows:

- If you checked Box 6, add \$5,000 to the amount of disability income that you reported on Form 1040 for the spouse who was under age 65. Enter the total on line 11

- If you checked Box 2, 4, or 9, enter on line 11 the total amount of disability income that you reported on Form 1040.

- If you checked Box 5, enter on line 11 the total amount of disability income for both you and your spouse that you reported on Form 1040.

Example 1. Bill, age 63, retired on permanent and total disability in 1990. He received \$4,000 of taxable disability income that he reported on Form 1040, line 7. He filed a joint return with his wife who was age 67 in 1990. Bill enters on line 11 \$9,000 (\$5,000 plus the \$4,000 of disability income he reported on Form 1040).

Example 2. John checked Box 2 in Part I, and enters \$5,000 on line 10. He received \$3,000 of taxable disability income; therefore, he enters \$3,000 on line 11. John also enters \$3,000 on line 12 (the smaller of line 10 or line 11). The largest amount he can use to figure the credit is \$3,000.

Lines 13a through 18.—The amount on which you figure your credit may be reduced if you received certain types of nontaxable pensions and annuities, **OR** if your adjusted gross income on Form 1040, line 32, is more than a certain dollar amount, depending on which box you checked in Part I. Complete lines 13a through 18 as applicable.

Line 13a.—Enter any social security benefits (before deduction of Medicare premiums) you (and your spouse if you file a joint return) received for 1990 that are not taxable. Also enter any tier 1 railroad retirement benefits treated as social security that are not taxable.

If any of your social security or equivalent railroad retirement benefits are taxable, the amount to enter on this line is generally the difference between line 21a and line 21b of Form 1040.

Note: *If your social security or equivalent railroad retirement benefits are reduced because of workers' compensation benefits, the workers' compensation benefits are treated as social security benefits for purposes of completing line 13a.*

Line 13b.—Enter any of the following amounts of income that you (and your spouse if you file a joint return) received for 1990:

- Veterans' pensions (but not military disability pensions).
- Any other pension, annuity, or disability benefit that is excluded from income under any provision of Federal law other than the Internal Revenue Code. (Do not include amounts that are treated as a return of your cost of a pension or annuity.)

Do not include on line 13b any pension, annuity, or similar allowance for personal injuries or sickness resulting from active service in the armed forces of any country, or in the Coast and Geodetic Survey or the Public Health Service, or as a disability annuity payable under Section 808 of the Foreign Service Act of 1980.

Line 21.—You may not be able to take the full amount of the credit you figured on line 21 if:

- You file Schedule C, D, E, or F (Form 1040), **and**
- The amount on Form 1040, line 23, is more than:

- \$30,000 if single or head of household;
- \$40,000 if married filing jointly or qualifying widow(er); or
- \$20,000 if married filing separately.

Note: *For purposes of the above test, any tax-exempt interest from private activity bonds issued after August 7, 1986, and any net operating loss deduction must be added to the amount from Form 1040, line 23.*

If both of the above conditions do **not** apply, enter on Form 1040, line 42, the amount from Schedule R, line 21. If both of the above conditions **do** apply, get **Form 6251**, Alternative Minimum Tax—Individuals, and complete it through line 15. Then, figure the amount of credit you may take as follows:

- Enter amount from Form 1040, line 40, less any dependent care credit on Form 1040, line 41 **a.** _____
- Enter amount from Form 6251, line 15 **b.** _____
- Maximum credit.** Subtract line b from line a. If zero or less, enter zero **c.** _____

Compare the credit you first figured on Schedule R, line 21, with the amount on line c above. Enter the **smaller** of the two amounts on Schedule R, line 21, and on Form 1040, line 42. If the amount on line c is the smaller amount, also write "AMT" on the dotted line next to line 42.