Department of the Treasury
Internal Revenue Service

1993 Instructions for Schedule R (Form 1040)

Credit for the Elderly or the Disabled

Use Schedule R to figure the credit for the elderly or the disabled.

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

Who Can Take the Credit

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 1993 if **either** of the following applies:

- You were **age 65 or older** at the end of 1993, **OR**
- You were **under age 65** at the end of 1993 and you meet **all three** of the following.

1. You were **permanently and totally disabled** on the date you retired. If you retired before 1977, you must have been permanently and totally disabled on January 1, 1976, or January 1, 1977.

2. You received taxable disability income for 1993.

3. On January 1, 1993, 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?** below. Also, see the instructions for Part II.

Married Persons. If you were married at the end of 1993, generally you must file a joint return to take the credit. But 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 for **ALL** of 1993.

Nonresident Aliens. If you were a nonresident alien at any time during 1993, you may be able to take the credit only if **(a)** you were married to a U.S. citizen or resident alien at the end of 1993, and **(b)** you and your spouse elect to file a joint return.

Income Limits. Generally, you cannot take the credit if your income is equal to or more than a certain dollar amount. See the chart on this page for details.

What Is Permanent and Total Disability? If you were under age 65 at the end of 1993, 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 has lasted or can be expected to last continuously for at least a year or can lead to death.

Examples 1 and 2 below show situations in which the individuals are considered engaged in a substantial gainful activity. Example 3 shows a person who might not be considered engaged in a substantial gainful activity.

Note: *In each example, the person 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 the minimum wage. Although she does different work, Sue babysits on ordinary terms for the minimum wage. She cannot take the credit because she is engaged in a substantial gainful activity.

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. Mary is considered engaged in a substantial gainful activity and cannot take the credit.

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. But because of John's disability, he was given only light duties of a nonproductive, make-work nature. 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. More facts are needed to 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 instead 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 dis-

Income Limits for Credit for the Elderly or the Disabled

If you are:	You generally cannot take the credit if:
Single, Head of household, or Qualifying widow(er)	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 and only one spouse is eligible for the credit	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 and both spouses are eligible for the credit	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 and you lived apart from your spouse for all of 1993	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

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ability 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 details on disability income, get **Pub. 525,** Taxable and Nontaxable Income.

How To Figure the Credit

If you want, we will figure the credit for you in most cases. For more details, see the Form 1040 instructions on page 25.

If you figure the credit yourself, first fill in Form 1040 through line 41. Then, read the following 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. If you are filing a joint return, it is also based 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 1977, you were permanently and totally disabled on January 1, 1976, or January 1, 1977.

You must attach this statement to Form 1040. You may use the physician's statement in Part II for this purpose. Your physician should show on the statement if the disability has lasted or can be expected to last continuously for at least a year, or if 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 in. 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 statement for 1993. But 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 1993, and (3) you were unable to engage in any substantial gainful activity during 1993 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 **VA Form 21-0172** instead of the physician's statement. VA Form 21-0172 must be signed by a person authorized by the VA to do so. You can get this form from your local VA regional office.

Part III. Figure 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 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 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 1993. 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 1993. On line 11, Bill enters $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, which he enters 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. The amount may also be reduced 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 filing a joint return) received for 1993 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 the amounts entered on Form 1040, line 21a and line 21b.

Note: *If your social security or equivalent railroad retirement benefits are reduced because of workers' compensation benefits, treat the workers' compensation benefits as social security benefits when completing Schedule R, line 13a.*

Line 13b. Enter the total of the following types of income that you (and your spouse if filing a joint return) received for 1993:

- 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. Also, do not include 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 **both 1** and **2** below apply:

1. You file Schedule C, C-EZ, D, E, or F (Form 1040), **and**

2. The amount on Form 1040, line 23, is more than:

— $33,750 if single or head of household,

— $45,000 if married filing jointly or qualifying widow(er), or

— $22,500 if married filing separately.

Note: *For purposes of **2** above, 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 **1** and **2** above **do not** apply, enter on Form 1040, line 42, the amount from Schedule R, line 21. If both **1** and **2** above **do** apply, get **Form 6251,** Alternative Minimum Tax—Individuals, and complete it through line 24. Then, figure the amount of credit you may take as follows:

1. Enter the amount from Form 1040, line 40, minus any dependent care credit on Form 1040, line 41 . **1.** ________

2. Enter the amount from Form 6251, line 24 . . **2.** ________

3. Maximum credit. Subtract line 2 from line 1. If zero or less, enter -0- . **3.** ________

4. Enter the credit you first figured on Schedule R, line 21 . . . . **4.** ________

Look at lines 3 and 4 above. Enter the **smaller** of the two amounts on Form 1040, line 42. If line 3 is the smaller amount, also write "AMT" on the dotted line next to line 42 and replace the amount on Schedule R, line 21, with that amount.