
1987

Instructions for preparing **Form 1040**

and instructions for Schedules A, B, C, D, E, F, and SE

(Tax Table—pages 41–46)

(Telephone Numbers
for Recorded Tax
Information—page 50)

(Information on How To
Order Forms—page 52)

Note: *This booklet does not
contain any tax forms.*

From the Commissioner

Dear Taxpayer:

This year the Tax Reform Act of 1986 will have a major impact on the preparation of your tax return. This has important consequences for you and for us.

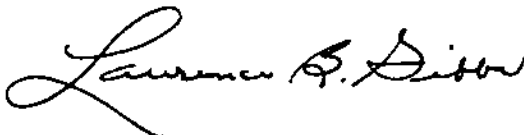
We have been working hard this year to get ready for the next filing season. We will continue to do everything we can to provide the quality service that you deserve. If you need assistance or questions answered, we are ready to help.

Our goal is to **MAKE TAXES LESS TAXING** but we can't do it alone. We have a few suggestions:

- Start preparing your return earlier than ever before. That way, if you need more information, you'll have enough time to get it.
- Check your return carefully before you mail it. Mistakes bring letters from the IRS and slow up refunds.
- Use the preprinted name and address label and the preaddressed envelope if you received them. They also help prevent mistakes and mean faster refunds.

Tax law changes are summarized on the next page. You can learn more about the ones that affect you by ordering one or more of the publications listed near the end of this booklet. Learning now about the changes will make it easier for you to start working on your return.

I would like to hear your ideas for improving our forms and instructions. If you would like to make some suggestions, please write to me at the Internal Revenue Service, Mail Stop 1040, 1111 Constitution Avenue, N.W., Washington, DC 20224.



Lawrence B. Gibbs
Commissioner of Internal Revenue

Important Tax Law Changes

These changes are a result of the Tax Reform Act of 1986. They apply to tax years beginning after 1986, unless otherwise noted.

Reduced Tax Rates. Most of the rates have been reduced and the rate structure has been simplified; for 1987 there are only five tax rates ranging from 11% to 38.5%.

Increased Exemption Amount. For 1987 the deduction allowed for each exemption is \$1,900 (up from \$1,080).

Increased Standard Deduction. The standard deduction (formerly the zero bracket amount) has increased for most individuals. See the instructions for line 33b on page 16 for details.

Age 65 or Over or Blind? The additional personal exemption for individuals who are age 65 or over or blind is no longer allowed. However, if you were 65 or over or blind and you do not itemize your deductions on **Schedule A** (Form 1040), your standard deduction is generally more than that allowed to other nonitemizers. See **Standard Deduction for Persons Age 65 or Over or Blind** on page 16 for details.

Social Security Numbers of Dependents. If you claim any person age 5 or over as a dependent, show that person's social security number on your return. If your dependent does not have a number, see the instructions for line 6c on page 7.

New Rules for Children and Other Dependents. If you can be claimed as a dependent on another person's return (such as your parents' return), the following rules apply:

- You may have to file a return for 1987 if your gross income is more than \$500. (See **Children and Other Dependents** on page 4 for details.)
- You cannot take an exemption for yourself.
- Your standard deduction may be limited. (See **Standard Deduction for Children and Other Dependents** on page 16 for details.)

Increased Earned Income Credit. For 1987 the income limit is \$15,432 and the credit can be as much as \$851. See the instructions for line 56 on page 18 for more details.

Repealed Tax Benefits. The following benefits are no longer allowed:

- Dividend exclusion.
- Capital gain deduction of 60% for long-term capital gains.
- Partial exclusion of unemployment compensation.
- Deduction for a married couple when both work (**Schedule W** (Form 1040)).

- State and local sales tax deduction.
- Charitable contribution deduction for nonitemizers.
- Income averaging method to figure your tax (**Schedule G** (Form 1040)).
- Partial credit for political contributions.

Maximum Tax on Capital Gains—28%. If you have a net capital gain, your tax may be less if you can use the Alternative Tax Computation on **Schedule D** (Form 1040) to figure your tax. See Part IV of Schedule D to see if you qualify.

Filing Requirements. Generally, the amount of income you can have before you are required to file a return has increased. See **Who Must File** on page 4 for the new income levels.

Tax on Investment Income of Children Under Age 14. For 1987 children under age 14 who have more than \$1,000 of investment income (such as taxable interest or dividends) will generally pay tax on such income at their parents' tax rate. The children's other income, if any, will be taxed at their own tax rate. See **Form 8615** under the line 37 instructions on page 16.

Alternative Minimum Tax. The tax rate has been increased to 21% and several tax preference items have been added or deleted. See the instructions for line 49 on page 17 for more details.

Travel, Meal, and Entertainment Expenses. Generally, only 80% of your qualified meal and entertainment expenses may be deducted. Meals do not qualify unless certain requirements are met. The rules regarding travel as education, luxury water travel, convention expenses, and tickets for entertainment have also changed. Get **Publication 463, Travel, Entertainment, and Gift Expenses**, for details.

Employee Business Expenses. Generally, your unreimbursed business expenses are allowed only as a miscellaneous itemized deduction on **Schedule A** (Form 1040) and only to the extent they exceed 2% of your adjusted gross income. Get **Publication 463** for details.

Individual Retirement Arrangements (IRAs). Generally, if you were not covered by your employer's retirement plan, you may still deduct up to \$2,000 of your IRA contributions but not more than your earned income. However, if you were covered by a retirement plan at work, your IRA deduction may be reduced or eliminated. Nondeductible contributions may now be made to IRAs. See the instructions for lines 24a and 24b that begin on page 13 for details.

Moving Expenses. Moving expenses are allowed only as an itemized deduction on **Schedule A** (Form 1040).

Medical and Dental Expenses. You may deduct medical and dental expenses that are more than 7.5% of your adjusted gross income.

Self-Employed Health Insurance Costs. If you were self-employed, you may be able to deduct as an adjustment to income up to 25% of the amount paid for health insurance for you, your spouse, and dependents. See the instructions for line 25 on page 14 for details.

Tax-Exempt Interest Income. If you are required to file a return, any tax-exempt interest income you received or exempt-interest dividends you received from a mutual fund or other regulated investment company must be listed on your return. See the instructions for line 9 on page 10 for details.

Interest Expense —

- Home mortgage interest on your residence is generally fully deductible. However, interest on a mortgage taken out after August 16, 1986, may not be fully deductible. See the Schedule A instructions for lines 9a and 9b on page 22 for details.
- For 1987 only 65% of personal interest (such as interest on car loans and credit card balances for personal expenses) is deductible.
- Investment interest (such as interest on a loan used to buy stock) is generally deductible to the extent it does not exceed your net investment income.

For more details, see the Schedule A instructions for lines 9a through 13 on page 22.

Allocation of Interest Expense. Whether your interest expense is subject to the new limits that apply to personal and investment interest depends on how and when the loan proceeds were used. Special rules apply in determining the type of interest paid on loan proceeds deposited in a personal account (such as a checking account). For more details, get **Publication 545, Interest Expense**.

Other Changes. The rules regarding the following items have also changed:

- Depreciation and section 179 deduction (get **Publication 534, Depreciation**).
- Office in the home (get **Publication 587, Business Use of Your Home**).
- Tax treatment of scholarships (get **Publication 520, Scholarships and Fellowships**).

Additional Information. If you want more information about these and other tax law changes, get **Publication 553, Highlights of 1987 Tax Changes**, or **Publication 920, Explanation of the Tax Reform Act of 1986 for Individuals**. You may also find the publications listed near the end of this booklet helpful in completing your return.

Important Reminders

Tax Shelter Registration Number. A person who sells (or otherwise transfers) to you an interest in a tax shelter must maintain a list of investors and give you the tax shelter registration number assigned to the tax shelter. You must attach to your tax return **Form 8271, Investor Reporting of Tax Shelter Registration Number**, to report this number. Penalties are provided if you fail to report this number on your tax return.

Employment Taxes for Household Employers. If you have a household employee, both you and the employee may have to pay a share of the social security tax on the employee's wages. You may also have to pay Federal unemployment tax, which is for your employee's unemployment insurance. For more details, get **Publication 503, Child and Dependent Care Credit, and Employment Taxes for Household Employers**.

Voluntary Contributions To Reduce the Public Debt. If you wish to make a contribution to reduce the public debt,

enclose a separate check with your income tax return and make it payable to "Bureau of the Public Debt." You may be able to deduct this contribution on your 1988 tax return if you itemize your deductions. Please do not add it to any tax you may owe. If you owe tax, include a separate check for that amount payable to "Internal Revenue Service."

Free Tax Help. IRS offers help in most areas to older, handicapped, and non-English speaking individuals in preparing their tax returns. Workshops explaining the tax aspects of owning your own business are also offered. For details, see **Free Tax Help** on page 21.

Assembling Your Return. Attach all schedules and forms in order of the "Attachment Sequence No." that is shown in the upper right corner of the schedule or form. For example, the "Attachment Sequence No." for **Schedule A (Form 1040)** is 07. Attach forms without an attachment sequence number and any additional information sheets at the end of your return. See **Step 6** on page 6 for more details.

Mailing Your Return. If you received an envelope with your forms booklet, please use it. If you didn't receive an envelope, or you moved during the year, see **Where To File** on page 5. Envelopes with insufficient postage will be returned by the post office.

Telephone Service for Tax Refund Information. If it has been at least 10 weeks since you mailed your 1987 tax return, you can call a telephone number to find out the status of your income tax refund. For details on how to use this service, see **Tele-Tax Information** (the page numbers are in the index).

Unresolved Tax Problems. The Problem Resolution Program is for taxpayers who have been unable to resolve their problems with IRS. If you have a tax problem you cannot clear up through normal channels, write to your local IRS District Director or call your local IRS office and ask for Problem Resolution assistance. Although this office cannot change the tax law or technical decisions, it can assist in resolving problems that resulted from previous contacts.

Privacy Act and Paperwork Reduction Act Notice

The Privacy Act of 1974 and Paperwork Reduction Act of 1980 say that when we ask you for information, we must tell you: our legal right to ask for the information; what major purposes we have in asking for it and how it will be used; what could happen if we do not receive it; and whether your response is voluntary, required to obtain a benefit, or mandatory under the law.

For the Internal Revenue Service, this Notice applies to tax returns and any papers filed with them and any questions we need to ask you so we can complete, correct, or process your return; figure your tax; and collect tax, interest, or penalties.

Our legal right to ask for information is Internal Revenue Code sections 6001,

6011, and 6012(a) and their regulations. They say that you must file a return or statement with us for any tax you are liable for. Your response is mandatory under these sections. Code section 6109 and its regulations say that you must show your social security number on what you file. This is so we know who you are, and can process your return and papers. You must fill in all parts of the tax form that apply to you. But you do not have to check the boxes for the Presidential Election Campaign Fund.

We ask for tax return information to carry out the Internal Revenue laws of the United States. We need it to figure and collect the right amount of tax.

We may give the information to the Department of Justice and to other Federal agencies, as provided by law. We may also give it to cities, states, the District of Columbia, and U.S. commonwealths or

possessions to carry out their tax laws. And we may give it to foreign governments because of tax treaties they have with the United States.

If you do not file a return, do not provide the information we ask for, or provide fraudulent information, the law provides that you may be charged penalties and, in certain cases, you may be subject to criminal prosecution. We may also have to disallow the exemptions, exclusions, credits, deductions, or adjustments shown on the tax return. This could make the tax higher or delay any refund. Interest may also be charged.

Please keep this notice with your records. It may help you if we ask you for other information. If you have questions about the rules for filing and giving information, please call or visit any Internal Revenue Service office.

How To Use This Instruction Booklet

The instructions are divided into five main sections.

- **Section 1** (see page 4) contains information on who must file, how to choose the correct form to use, and when to file a return.
- **Section 2** (see page 6) contains steps to help you prepare your return.
- **Section 3** (see page 6) contains line-by-line instructions for most of the lines on the return.
- **Section 4** (see page 20) contains general information.

- **Section 5** (see page 21) contains instructions for most of the lines on many of the schedules that may be attached to Form 1040.

If you follow the steps in Section 2 and the line-by-line instructions in Section 3, we feel you can fill in your return quickly and accurately. You may also find some of the publications and **Tele-Tax Information** listed in the instructions helpful.

Section 1—Filing Information.

Use the following charts to see if you must file a tax return. Caution: Also see **Other Filing Requirements** on page 5.

Who Must File (Caution: If you can be claimed as a dependent on another person's return, see **Children and Other Dependents** below.)

You must file a tax return if—

your marital status at the end of 1987 was:	and your filing status is:	and at the end of 1987 you were:	and your gross income* was at least:
Single (including divorced and legally separated)	Single	under 65	\$4,440
		under 65 and blind	\$4,900
		65 or over	\$5,650
Married with a dependent child (or a child whom you cannot claim as a dependent because of the rules on page 8 for Children of Divorced or Separated Parents) and living apart from your spouse during the last 6 months of 1987	Head of household	under 65	\$4,440
		under 65 and blind	\$6,300
		65 or over	\$7,050
Married and living with your spouse at end of 1987 (or on the date your spouse died)	Married, joint return	under 65 (both spouses)	\$7,560
		under 65 (both spouses) and blind (one or both spouses)	\$8,800
		65 or over (one spouse)	\$9,400
		65 or over (both spouses)	\$10,000
Married, not living with your spouse at end of 1987 (or on the date your spouse died)	Married, separate return	any age	\$1,900
		any age	\$1,900
Widowed before 1987 and not remarried in 1987	Single	under 65	\$4,440
		under 65 and blind	\$4,900
		65 or over	\$5,650
	Head of household	under 65	\$4,440
		under 65 and blind	\$6,300
		65 or over	\$7,050
	Qualifying widow(er) with dependent child	under 65	\$5,660
		under 65 and blind	\$6,900
		65 or over	\$7,500

***Gross income** usually means money, goods, and property you received on which you must pay tax. It does not include nontaxable benefits (such as tax-exempt interest). See page 9 of the instructions to find out which types of income you should include.

Children and Other Dependents (Caution: If you were 65 or over, blind, or married, see below.)

If you were **Single** and can be claimed as a dependent on another person's return (such as your parents' return) and—

you had taxable interest, dividends, or other unearned income of:	and the total of that income plus your wages, tips, or other earned income was:	must you file a tax return?
\$1 or more	\$500 or less	NO
	more than \$500	YES
\$0	\$2,540 or less	NO
	more than \$2,540	YES

Example. Your parents are entitled to claim you as a dependent on their 1987 return. You earned \$700 working part time at a drug store and \$70 of interest income on your savings account. You must file a return for 1987 because you had at least \$1 of unearned income (your interest income) and the total of your income (\$770) was more than \$500.

65 or Over, Blind, or Married. You must file a return if you can be claimed as a dependent on another person's return and you were—

- Single (65 or over or blind)** and your—
 - a. earned income (such as wages) was more than \$3,750; or
 - b. unearned income (such as taxable interest and dividends) was more than \$1,250 (\$2,000 if 65 or over and blind); or

- c. gross income was more than the total of:
 - your earned income (up to \$3,000) or \$500, whichever is greater, plus
 - \$750 (\$1,500 if 65 or over and blind).

Married (under 65) and you had—

- a. earned income (such as wages) of more than \$1,880; or
- b. any unearned income (such as taxable interest and dividends) and your gross income was more than \$500; or

c. at least \$5 of gross income and your spouse itemizes deductions on a separate return.

Married (65 or over or blind) and your—

- a. earned income (such as wages) was more than \$3,100; or
- b. unearned income (such as taxable interest and dividends) was more than \$1,100 (\$1,700 if 65 or over and blind); or
- c. gross income was more than the total of:
 - your earned income (up to \$2,500) or \$500, whichever is greater, plus
 - \$600 (\$1,200 if 65 or over and blind); or
 - d. gross income was at least \$5 and your spouse itemizes deductions on a separate return.

Caution: If your gross income was \$1,900 or more, you generally cannot be claimed as a dependent. However, you can be claimed as a dependent on your parents' return if you were under age 19 at the end of 1987 or a full-time student and your parents meet the other 4 tests explained on page 8.

Other Filing Requirements. You must file a return if any of the following applied for 1987:

- You owe any special taxes, such as:
 - social security tax on tips you did not report to your employer;
 - uncollected social security tax or RRTA tax on tips you reported to your employer;
 - alternative minimum tax;
 - tax on an Individual Retirement Arrangement (IRA) or a qualified retirement plan; or
 - tax from recapture of investment credit.
- You received any advance earned income credit (EIC) payments from your employer(s).
- You had net earnings from self-employment income of at least \$400.
- You had wages of \$100 or more from a church or qualified church-controlled organization that is exempt from employer social security taxes.
- You exclude income from sources within American Samoa and your gross income was at least \$1,900.

These rules apply to all U.S. citizens and resident aliens. They also apply to nonresident aliens and dual-status aliens who are married to U.S. citizens or residents at the end of 1987 and who have elected to be treated as resident aliens.

If you were a nonresident alien at any time during 1987 (except as mentioned above), different rules apply. You may have to file **Form 1040NR**, U.S. Nonresident Alien Income Tax Return. Also get **Publication 519**, U.S. Tax Guide for Aliens. **Note:** Specific rules apply to determine if you are a resident or nonresident alien. See **Publication 519** for details.

Who Should File

Even if you do not have to file, you should file to get a refund if Federal income tax was withheld from any payments to you or if you can take the earned income credit. If you file for either of these reasons only, you may be able to use **Form 1040A**. If you file only to get a refund of tax withheld, you may be able to use **Form 1040EZ**.

When To File

You should file as soon as you can after January 1, but not later than April 15, 1988.

If you file late, you may have to pay penalties and interest. See **Penalties and Interest** on page 20.

If you know that you cannot file by the due date, you should ask for an extension using **Form 4868**, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return.

Note: *Form 4868* does not extend the time to pay your income tax. See the instructions for *Form 4868*.

If you are living or traveling outside the United States and Puerto Rico on April 15, you can get an automatic 2-month extension of time to file. Just attach a statement to your return explaining the details.

Where To File

If an addressed envelope came with your return, please use it. If you do not have one, or if you moved during the year, mail your return to the **Internal Revenue Service Center** for the place where you live. No street address is needed.

If you are located in:	Use this address:
Alabama, Florida, Georgia, Mississippi, South Carolina	Atlanta, GA 39901
New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Holtsville, NY 00501
Connecticut, Maine, Massachusetts, Minnesota, New Hampshire, New York (all other counties), Rhode Island, Vermont	Andover, MA 05501
Illinois, Iowa, Missouri, Wisconsin	Kansas City, MO 64999
Delaware, District of Columbia, Maryland, Pennsylvania	Philadelphia, PA 19255
Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, Louisiana, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
California (all other counties), Hawaii	Fresno, CA 93888
Arkansas, Indiana, North Carolina, Tennessee, Virginia	Memphis, TN 37501
American Samoa	Philadelphia, PA 19255
Guam	Commissioner of Revenue and Taxation Agana, GU 96910
Puerto Rico (or if excluding income under section 933)	Philadelphia, PA 19255
Virgin Islands: Nonpermanent residents	V. I. Bureau of Internal Revenue P. O. Box 3186 St. Thomas, VI 00801
Virgin Islands: Permanent residents	Philadelphia, PA 19255
Foreign country. U.S. citizens and those filing Form 2555 or Form 4563, even if you have an A.P.O. or F.P.O. address	Philadelphia, PA 19255
A.P.O. or F.P.O. address of:	Miami—Atlanta, GA 39901 New York—Holtsville, NY 00501 San Francisco—Fresno, CA 93888 Seattle—Ogden, UT 84201

Which Form To File

You MAY Be Able To Use Form 1040EZ If:

- You were single and do not claim any dependents.
- You were not 65 or over OR blind.
- You had **only** wages, salaries, and tips, and not more than \$400 of taxable interest income.

- Your taxable income is less than \$50,000.
- You do not itemize deductions or claim any adjustments to income or tax credits.

You MAY Be Able To Use Form 1040A If:

- You had income **only** from wages, salaries, tips, unemployment compensation, interest, or dividends.
- Your taxable income is less than \$50,000.
- You do not itemize deductions.

You can also use **Form 1040A** to claim the deduction for certain contributions to an Individual Retirement Arrangement (IRA), nondeductible contributions to an IRA, and the credit for child and dependent care expenses.

Since **Forms 1040A** and **1040EZ** are easier to complete than **Form 1040**, you should use one of them unless using **Form 1040** lets you pay less tax. However, even if you meet the above tests, you must file **Form 1040** if any of the following situations applies to you.

You MUST Use Form 1040 If:

- Your taxable income is \$50,000 or more.
- You itemize deductions. (Read the instructions for line 33a that begin on page 15 to see if it would benefit you to itemize.)
- You are a qualifying widow(er) with a dependent child.
- You received, as a nominee, interest or dividends that actually belong to another person.
- You received or paid accrued interest on securities transferred between interest payment dates.
- You received any nontaxable dividends or capital gain distributions.
- You are required to fill in Part III of Schedule B for foreign accounts and foreign trusts (see page 25 of the instructions).
- You had any of the kinds of income shown on **Form 1040**, lines 11 through 18, 20b, and 21, such as taxable social security or railroad retirement benefits.
- You take any of the adjustments to income shown on **Form 1040**, lines 23, 25 through 28, or any write-in amount included on line 29.
- You claim any of the credits on **Form 1040**, lines 41, 44, 45, or any write-in amount included on lines 42 or 46.
- You owe any of the taxes on **Form 1040**, lines 38, 48 through 52, or any write-in amount included on line 53 (other than advance EIC payments).
- You claim any of the payments on **Form 1040**, lines 55, 59, 60, or any write-in amount included on lines 60 or 61.
- You file any of these forms:

Form 1040-ES, Estimated Tax for Individuals, for 1987 (or if you want to apply any part of your 1987 overpayment to estimated tax for 1988).

Form 2210, Underpayment of Estimated Tax by Individuals.

Form 2555, Foreign Earned Income.

Form 4563, Exclusion of Income From Sources in American Samoa.

Form 8271, Investor Reporting of Tax Shelter Registration Number.

Section 2

Steps for Preparing Your Return

Follow the six useful steps below to help you prepare your return. If you follow these steps and read the line-by-line instructions, we feel that you can fill in your return quickly and accurately.

Step 1— Get all of your records together.

Income Records. These include any Forms W-2, W-2G, W-2P, and 1099 that you may have. If you don't get a Form W-2 by February 1, 1988, or if the one you get isn't correct, please contact your employer as soon as possible. Only your employer can give you a Form W-2, or correct it. If you cannot get a Form W-2 by February 15, call the toll-free telephone number listed in the instructions for your area. You will be asked for your employer's name, address, and, if known, identification number.

If you have someone prepare your return for you, you are still responsible for the correctness of the return.

Itemized Deductions and Tax Credits. Pages 17 through 24 of these instructions tell you what credits and itemized deductions you can take. Some of the records you may need are:

- Medical and dental payment records.
- Real estate and personal property tax receipts.
- Interest payment records for items such as a home mortgage, car, or appliances.
- Records of payments for child and dependent care so you could work.

Step 2— Get any forms, schedules, or publications you need.

In general, we mail forms and schedules to you based on what you filed last year. Before you fill in your return, look it over to see if you need more forms or schedules.

If you think you will need any other forms, get them before you start to fill in your return. Most IRS offices and many local banks, post offices, and libraries may have some of them. Or, you can use the order blank on the next to the last page of this instruction booklet. We will send you the forms, schedules, instructions, and publications you ask for.

Step 3— Fill in your return.

Step 4— Check your return to make sure it is correct.

Step 5— Sign and date your return.

Form 1040 is not considered a return unless you sign it. Your spouse must also sign if it is a joint return.

Step 6— Attach all required forms and schedules.

Attach the first copy or Copy B of Forms W-2, W-2G, and W-2P to the front of Form 1040.

If you need more space on forms or schedules, attach separate sheets and use **Page 6**

the same format as the printed forms, but show your totals on the printed forms. Please use sheets that are the same size as the forms and schedules. Be sure to put your name and social security number on these separate sheets and attach them at the end of your return.

If you owe tax, be sure to attach your payment to the front of Form 1040.

Section 3

Line-By-Line Instructions

Name, Address, and Social Security Number

If you received a mailing label from us, please use it. But don't attach your label to your return until you complete the return. Make sure the label is correct. If it isn't, mark through the label and make corrections on the label.

Caution: *If the label is for a joint return and the social security numbers are not listed in the same order as the first names, show the numbers in the correct order.*

If you do not have a label, print or type your name, address, and social security number. If filing a joint return, be sure you enter your names and social security numbers in the same order as shown on your 1986 return.

P.O. Box. If your post office does not deliver mail to your street address and you have a P.O. box, enter your P.O. box number on the line for your present home address instead of your street address.

Social Security Number. If you are married, give social security numbers for both you and your spouse whether you file joint or separate returns.

If your spouse is a nonresident alien, has no income, does not have a social security number, and you file a separate return, enter "NRA" in the block for your spouse's social security number. If you and your spouse file a joint return, your spouse must get a social security number.

If you don't have a social security number, you can get one by filing **Form SS-5** with a local Social Security Administration office. If you don't have a number by the time you are ready to file your return, apply for one and enter "Applied for" in the block for your social security number.

Name Change. If you have changed your name because of marriage, divorce, etc., make sure you immediately notify the Social Security Administration (SSA) so the name on your tax return is the same as the name SSA has on its records. This may prevent delays in issuing your refund.

Joint Return. If you are married, filing a joint return, show the social security numbers in the same order that you show your first names. If you and your spouse have different last names, please separate the names with an "and." For example: "John Brown and Mary Smith."

Presidential Election Campaign Fund

Congress established this fund to support public financing of Presidential election campaigns.

You may have \$1 go to the fund by checking the **Yes** box. On a joint return, each of you may choose to have \$1 go to this fund, or each may choose not to. One may choose to have \$1 go to this fund and the other may choose not to.

If you check **Yes**, it will not change the tax or refund shown on your return.

Filing Status

Lines 1 through 5

Single

Consider yourself single if on December 31 you were unmarried or separated from your spouse either by divorce or separate maintenance decree and you do not qualify for another filing status. State law governs whether you are married, divorced, or legally separated.

If you were married on December 31, consider yourself married for the whole year. If you meet the tests explained on page 7 for **Married Persons Who Live Apart**, you may consider yourself single for the whole year and file as head of household.

If your spouse died in 1987, consider yourself married to that spouse for the whole year, unless you remarried before the end of 1987.

Married

Joint or Separate Returns?

Generally, married couples will pay less tax if they file a joint return because the tax rate for married persons filing jointly is lower than the tax rate for married persons filing separately. However, as a result of some of the changes in the tax law, such as the increased income limit that applies to medical and dental expenses and the new Individual Retirement Arrangement deduction rules that apply to certain individuals, you may want to figure your tax both ways to see which filing status is to your tax benefit.

Joint Returns. If you file a joint return, you must report all income, exemptions, deductions, and credits for you and your spouse. Both of you must sign the return, even if only one of you had income.

You and your spouse can file a joint return even if you did not live together for the whole year. Both of you are responsible for any tax due on a joint return, so if one of you does not pay, the other may have to.

Note: *If you file a joint return, you may not, after the due date of the return, choose to file separate returns for that year.*

If your spouse died in 1987, you can file a joint return for 1987. You can also file a joint return if your spouse died in 1988 before filing a 1987 return. For details on how to file the joint return, see **Death of Taxpayer** on page 21.

Tax Tip: *If you decide not to file a joint return and plan to file a separate return, see if you can lower your tax by meeting the tests described on page 7 under **Married Persons Who Live Apart**.*

Special Rule for Aliens. —If at the end of 1987, you were a nonresident alien or dual-status alien married to a U.S. citizen or resident alien, you may be able to file a joint return with your spouse. If you do file a joint return, you and your spouse must agree to be taxed on your combined worldwide income. For more details, get **Publication 519, U.S. Tax Guide for Aliens**.

Separate Returns. You can file separate returns if both you and your spouse had income, or if only one of you had income.

If you file a separate return, you each report only your own income, exemptions, deductions, and credits, and you are responsible only for the tax due on your own return. However, if you live in a community property state, special rules apply. For details, get **Publication 555**.

If you file a separate return, you generally cannot take the credit for child and dependent care expenses and you cannot take the earned income credit. If you lived with your spouse at any time in 1987, you cannot take the credit for the elderly or for the permanently and totally disabled and you may have to include in income up to one-half of any social security benefits or equivalent railroad retirement benefits you received in 1987. If your spouse itemizes deductions, you cannot take the standard deduction.

If you file a separate return, enter your spouse's full name in the space provided on line 3 and your spouse's social security number in the block provided for that number.

If your spouse does not file, check the box on line 6b if you can claim an exemption for your spouse. Please see **For Your Spouse** on this page.

Married Persons Who Live Apart. Some married persons who have a child and who do not live with their spouse may file as head of household and use tax rates that are lower than the rates for single or for married filing a separate return. This also means that you can take the standard deduction even if your spouse itemizes deductions. You may also be able to claim the earned income credit.

You should check the box on line 4, Head of household, if you meet **ALL 4** of the following tests:

1. You file a separate return from your spouse.
2. You paid more than half the cost to keep up your home in 1987.
3. Your spouse did not live with you at any time during the last 6 months of 1987.
4. For over 6 months of 1987, your home was the principal home of your child or stepchild whom—

a. you can claim as a dependent, **OR**

b. the child's other parent claims as a dependent under the rules explained on page 8 for **Children of Divorced or Separated Parents**. (Enter this child's name in the space provided on line 4.)

Head of Household

Tax Tip: The tax rates for a person who can meet the tests for head of household are lower than the rates for single or for married filing a separate return.

You may use this filing status **ONLY IF** on December 31, 1987, you were unmarried (including certain married persons who live apart, as discussed above) or legally separated and meet test **1** or **2** below.

1. You paid more than half the cost of keeping up a home, which was the principal home of your father or mother whom you can claim as a dependent. **OR**
2. You paid more than half the cost of keeping up the home in which you lived and in which one of the following also lived for more than 6 months of the year (except for temporary absences, such as for vacation or school):

a. Your **unmarried** child, grandchild, adopted child, or stepchild. This child does not have to be your dependent. However, your foster child must be your dependent.

Note: If this child is not your dependent, you must enter the child's name in the space provided on line 4.

b. Your **married** child, grandchild, adopted child, or stepchild. This child must be your dependent. But if your married child's other parent claims him or her as a dependent under the rules on page 8 for **Children of Divorced or Separated Parents**, this child does not have to be your dependent. (If your child is not your dependent because of these rules, you must enter the child's name in the space provided on line 4.)

c. Any other relative listed below whom you can claim as a dependent.

Parent	Brother-in-law
Grandparent	Sister-in-law
Brother	Son-in-law
Sister	Daughter-in-law, or
Stepbrother	if related by blood:
Stepsister	Uncle
Stepmother	Aunt
Stepfather	Nephew
Mother-in-law	Niece
Father-in-law	

Note: See instructions for line 6c for the definition of dependent.

Special rules

● If you receive payments under the Aid to Families with Dependent Children (AFDC) program and use them to pay part of the cost of keeping up this home, you may not count these amounts as furnished by you.

● You cannot file as head of household if you claim a relative described in **1** or **2** above as a dependent under a **Multiple Support Declaration**. (See page 8 for details on dependents supported by two or more taxpayers.)

Qualifying Widow or Widower With a Dependent Child

If your spouse died in 1985 or 1986 and you did not remarry in 1987, you may be able to use joint return tax rates for 1987. You can figure your tax at joint return rates if you meet **ALL 3** of the following tests:

1. You could have filed a joint return with your spouse for the year your spouse died, even if you didn't actually do so.
2. Your dependent child, stepchild, adopted child, or foster child lived with you (except for temporary absences, such as for vacation or school).
3. You paid over half the cost of keeping up the home for this child for the whole year.

Check the box on line 5, Qualifying widow(er) with dependent child, and show the year your spouse died in the space provided. **Do not** claim an exemption for your spouse.

If your spouse died before 1985 and you were single in 1987, you may check the box on line 4 if you meet the tests under **Head of Household**. Otherwise, you must file as single.

Exemptions Line 6a For Yourself

Check the box on line 6a unless you can be claimed as a dependent on another person's return (such as your parents' return).

Line 6b For Your Spouse

If you file a joint return and your spouse cannot be claimed as a dependent on another person's return, check the box on line 6b. If you file a separate return, you can take an exemption for your spouse only if your spouse is not filing a return, had no income, and was not the dependent of someone else.

If at the end of 1987 you were divorced or legally separated, you cannot take an exemption for your former spouse. If you were separated by a divorce that is not final (interlocutory decree), you are considered married for the whole year.

If your spouse died in 1987 and you did not remarry before the end of 1987, check the box on line 6b if you could have taken an exemption for your spouse on the date of death.

Nonresident Alien Spouse. If you do not file a joint return, you may claim an exemption for your spouse only if your spouse had no income from U.S. sources and is not the dependent of another taxpayer. Check the box on line 6b to claim an exemption for a nonresident alien spouse and enter "NRA" to the right of the word Spouse on line 6b.

Line 6c Children and Other Dependents

You can take an exemption for each person who is your dependent (defined on page 8). Enter the full names and other information for your dependent children and other dependents. If you have more than seven dependents, show the information requested in columns (1) through (5) for each of those dependents on an attached statement. When entering the total number of dependents in the boxes to the right of line 6c, be sure to include these dependents.

Column (2). If your dependent listed in column (1) was under age 5 on December 31, 1987, enter a check mark in column (2).

Column (3). If your dependent was age 5 or over on December 31, 1987, you must enter his or her social security number. If you don't or if the number entered is incorrect, you may have to pay a penalty.

If your dependent does not have a social security number, a number may be obtained by filing **Form SS-5** with a local Social Security Administration office. If your dependent does not have a number by the time you are ready to file your return, apply for one and enter "Applied for" in column (3).

Column (5). If your dependent lived with you in 1987 except for temporary absences, such as for vacation or school, enter "12" in column (5). Otherwise, enter the number of months that your dependent actually lived with you during 1987.

Children Who Didn't Live With You. If you are claiming a child under the rules explained on page 8 for **Children of Divorced or Separated Parents**, enter the total number of such children in the box to the right of line 6c labeled "No. of children on 6c who didn't live with you due to divorce or separation." You must either:

- attach **Form 8332**, Release of Claim to Exemption for Child of Divorced or Separated Parents, or similar statement, **OR**
- check the box on line 6d for pre-1985 agreements if you have such an agreement that states you are entitled to claim the child as a dependent.

Enter the total number of dependent children who did not live with you for other reasons in the box labeled "No. of other dependents listed on 6c."

Birth or Death of Dependent. You can take an exemption for a dependent who was born or who died during 1987 if he or she met the tests for a dependent while alive. This means that a baby who lived only a few minutes can be claimed as a dependent.

For more details, get **Publication 501**, Exemptions and Standard Deduction.

Dependent. A dependent is any person who meets **ALL 5** of these tests:

1. income;
2. support;
3. married dependent;
4. citizenship or residence; and
5. relationship.

These tests are explained below.

1. Income

In general, the person must have received less than \$1,900 of gross income. Gross income does not include nontaxable income, such as welfare benefits or nontaxable social security benefits.

Income received by a permanently and totally disabled person for services performed at a sheltered workshop school is generally not included in gross income for purposes of the income test. Get **Publication 501** for details.

Special Rules for Your Dependent Child.

Even if your child had income of \$1,900 or more, you can claim your child as a dependent if tests 2, 3, and 4 below are met, and:

- your child was under 19 at the end of 1987, or
- your child was enrolled as a full-time student at a school during any 5 months of 1987, or
- your child took a full-time, on-farm training course during any 5 months of 1987. (The course had to be given by a school or a state, county, or local government agency.)

The school must have a regular teaching staff, a regular course of study, and a regularly enrolled body of students in attendance.

A school includes:

- elementary, junior, and senior high schools;
- colleges and universities; and
- technical, trade, and mechanical schools.

However, school does not include on-the-job training courses or correspondence schools.

2. Support

In general, you must have given over half of the dependent's support in 1987. If you file a joint return, the support can be from you

or your spouse. Even if you did not give over half of the dependent's support, you will be treated as having given over half of the support if you meet the tests explained below for **Children of Divorced or Separated Parents or Dependent Supported by Two or More Taxpayers**.

In figuring total support, you must include money the dependent used for his or her own support, even if this money was not taxable (for example, gifts, savings, welfare benefits).

Support includes items such as food, a place to live, clothes, medical and dental care, recreation, and education. In figuring support, use the actual cost of these items. However, the cost of a place to live is figured at its fair rental value.

Do not include in support items such as income and social security taxes, premiums for life insurance, or funeral expenses.

Capital items—You must include capital items such as a car or furniture in figuring support, but only if they were actually given to, or bought by, the dependent for his or her use or benefit. Do not include the cost of a capital item for the household or for use by persons other than the dependent.

If you cared for a foster child, see **Publication 501** for special rules that apply.

Children of Divorced or Separated Parents.

The parent who has custody of a child for most of the year (the custodial parent) can generally take the exemption for that child if the child's parents together paid more than half of the child's support. This general rule also applies to parents who did not live together at any time during the last 6 months of the year. But the parent who does not have custody, or who has the child for the shorter time (the noncustodial parent), may take the exemption if either **a** or **b** below applies.

a. The custodial parent signs **Form 8332**, Release of Claim to Exemption for Child of Divorced or Separated Parents, or similar statement, agreeing not to claim an exemption for the child in 1987, and the noncustodial parent attaches the form, or similar statement, to his or her 1987 tax return, **OR**

b. A decree of divorce or separate maintenance (or a written agreement) that was in effect before 1985 states that the noncustodial parent can take the exemption and he or she gave at least \$600 for the child's support in 1987. The noncustodial parent must check the box on line 6d for pre-1985 agreements. (This rule does not apply if the decree or agreement was modified after 1984 to specify that the noncustodial parent cannot claim the exemption.)

Note: In figuring support, a parent who has remarried may count the support provided by the new spouse.

Dependent Supported by Two or More Taxpayers.

Sometimes two or more taxpayers together pay more than half of another person's support, but no one alone pays over half of the support. One of the taxpayers may claim the person as a dependent only if the tests for income, married dependent, citizenship or residence, and relationship, discussed on this page are met.

In addition, the taxpayer who claims the dependent must:

- a. have paid more than 10% of the dependent's support, and
- b. attach to his or her tax return a signed **Form 2120**, Multiple Support Declaration, from every other person who paid more than 10% of the support. This form states that the person who signs it will not claim an exemption in 1987 for the person he or she helped to support.

3. Married Dependent

The dependent did not file a joint return. However, if neither the dependent nor the dependent's spouse is required to file, but they file a joint return to get a refund of all tax withheld, you may claim him or her if the other 4 tests are met.

4. Citizenship or Residence

The dependent **must have been** a citizen or resident of the United States, a resident of Canada or Mexico, or an alien child adopted by and living the entire year with a U.S. citizen in a foreign country.

5. Relationship

The dependent met test **a** or **b** below.

a. Was related to you (or your spouse if you are filing a joint return) in one of the following ways:

Child	Stepbrother	Son-in-law
Stepchild	Stepsister	Daughter-in-law
Mother	Stepmother	or, if related by blood:
Father	Stepfather	Uncle
Grandparent	Mother-in-law	Aunt
Brother	Father-in-law	Nephew
Sister	Brother-in-law	Niece
Grandchild	Sister-in-law	

Note: Any relationships that have been established by marriage are not treated as ended by death or divorce.

b. Was any other person who lived in your home as a member of your household for the whole year. **A person is not a member of your household** if at any time during your tax year the relationship between you and that person violates local law.

The word child includes:

- Your son, daughter, stepson, stepdaughter, or adopted son or daughter.
- A child who lived in your home as a member of your family if placed with you by an authorized placement agency for legal adoption.
- A foster child (any child who lived in your home as a member of your family for the whole year).

Income

Examples of Income You Do Not Report

(Do not include these amounts when you decide if you must file a return.)

Welfare benefits.

Disability retirement payments (and other benefits) paid by the Veterans' Administration.

Workers' compensation benefits, insurance damages, etc., for injury or sickness.

Child support.

Gifts, money, or other property you inherited or that was willed to you.

Dividends on veterans' life insurance.

Life insurance proceeds received because of a person's death.

Amounts you received from insurance because you lost the use of your home due to fire or other casualty to the extent the amounts were more than the cost of your normal expenses while living in your home. (You must report as income reimbursements for normal living expenses.)

Amounts an employer contributed on your behalf and benefits provided to you as an employee or the spouse or dependent of an employee, under a qualified group legal services plan.

Certain amounts received as a scholarship (get **Publication 520**, Scholarships and Fellowships).

Cancellation of certain student loans where the student, under the terms of the loan, performs certain professional services for any of a broad class of employers (see **Publication 520**).

Examples of Income You Must Report

The following kinds of income should be reported on Form 1040, or related forms and schedules, in addition to the types of income listed on Form 1040, lines 7 through 20b. You may need some of the forms and schedules mentioned below.

Amounts received as a scholarship granted after August 16, 1986, for room and board or travel and any other amounts received for expenses other than tuition and course-related expenses (see **Publication 520**).

Amounts received as a scholarship that are payment for teaching, research, or other services even if the services were required to get the grant.

Original Issue Discount (Schedule B).

Distributions from SEPs and DECs.

Amounts received in place of wages, from accident and health plans (including sick pay and disability pensions) if your employer paid for the policy.

Bartering income (fair market value of goods or services you received in return for your services).

Business expense reimbursements you received that are more than you spent for these expenses.

Tier 2 and supplemental annuities under the Railroad Retirement Act.

Life insurance proceeds from a policy you cashed in if the proceeds are more than the premium you paid.

Your share of profits from S corporations (Schedule E).

Endowments.

Lump-sum distributions (Form 4972). (See page 11.)

Gains from the sale or exchange (including barter) of real estate, securities, coins, gold, silver, gems, or other property (Schedule D or Form 4797).

Gains from the sale of your personal residence (Schedule D and Form 2119).

Accumulation distributions from trusts (Form 4970).

Prizes and awards (contests, raffles, lottery, and gambling winnings).

Earned income from sources outside the United States (Form 2555).

Director's fees.

Fees received as an executor or administrator of an estate.

Embezzled or other illegal income

U.S. Citizens Living Abroad

Generally, foreign source income must be reported. Get **Publication 54**, Tax Guide for U.S. Citizens and Resident Aliens Abroad, for more details.

Community Property States

Community property states are: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.

If you and your spouse live in a community property state, you must follow state law to determine what is community income and what is separate income.

However, different rules could apply if:

- you and your spouse lived apart all year,
- you do not file a joint return, and
- no part of the community income you earn is transferred to your spouse.

For details, get **Publication 555**, Community Property and the Federal Income Tax.

Rounding Off to Whole Dollars

You may round off cents to the nearest whole dollar on your return and schedules. To do so, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$1.39 becomes \$1 and \$2.50 becomes \$3.

If you do round off, do so for all amounts. However, if you have to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and only round off the total.

Example. You received two W-2 forms, one showing wages of \$5,000.55 and one showing wages of \$18,500.73. On Form 1040, line 7, you would enter \$23,501 (\$5,000.55 + \$18,500.73 = \$23,501.28) instead of \$23,502 (\$5,001 + \$18,501).

Line 7

Wages, Salaries, Tips, Etc.

Show the total of all wages, salaries, fees, commissions, tips, bonuses, supplemental unemployment benefits, and other amounts you were paid before taxes, insurance, etc., were taken out. For information on allocated tips, get **Publication 531**, Reporting Income From Tips.

Include in this total:

- The amount that should be shown in **Box 10** on **Form W-2**. Report all wages, salaries, and tips you received, even if you do not have a Form W-2.

- Tips received that you did not report to your employer. (Show any social security tax due on these tips on line 51—see the instructions on page 17.)

Note: Any tip allocation amount shown on Form W-2 may be added to your gross income unless you are able to prove a lesser amount with adequate records.

- Disability pensions if you have not reached the minimum retirement age set by your employer.

Note: Except for those disability pensions mentioned above, pensions shown on **Form W-2P** are reported on lines 16a and 16b of Form 1040.

- Payments by insurance companies, etc., not included on Form W-2. If you receive sick pay or a disability payment from anyone other than your employer, and it is not included in the wages shown on Form

W-2, include it on line 7. Attach a statement showing the name and address of the payer and amount of sick pay or disability income. (Get **Form W-4S** for information on withholding of Federal income tax from your sick pay.)

- Fair market value of meals and living quarters if given by your employer as a matter of your choice and not for your employer's convenience. Don't report the value of meals given you at work if they were provided for your employer's convenience. Also do not report the value of living quarters you had to accept on your employer's business premises as a condition of employment.

- Strike and lockout benefits paid by a union from union dues. Include cash and the fair market value of goods received. Don't report benefits that were gifts.

- Any amount your employer paid for your moving expenses (including the value of services furnished in kind) that is not included in **Box 10** on Form W-2.

Note: You must report on line 7 all wages, salaries, etc., paid for your personal services, even if the income was signed over to a trust (including an IRA), another person, a corporation, or a tax-exempt organization.

For more details on reporting income received in the form of goods, property, meals, stock options, etc., get **Publication 525**, Taxable and Nontaxable Income.

Fringe Benefits. If you used an employer-provided highway motor vehicle for both personal and business use and your employer included 100% of the fair rental value of the vehicle in the wages, tips, and other compensation box (**Box 10**) of your W-2 form, you must use **Form 2106**, Employee Business Expenses, to claim a deduction for the business use of the vehicle. (The total fair rental value of the vehicle should be shown in **Box 16a** of your W-2 form or on a separate statement.) You must report on Form 1040, line 7, the total amount shown in **Box 10** of your W-2 form. For more details, get **Publication 525**.

Excess Salary Deferrals. Beginning in 1987, if you choose to have your employer contribute part of your pay to certain retirement plans (such as a 401(k) or the Federal Thrift Savings Fund) instead of having it paid to you, the Form W-2 you get from that employer should have the "Deferred compensation" box in **Box 5** checked. The amount deferred should be shown in **Box 16**. The total amount that may be deferred each year under all plans is generally limited to \$7,000. Any amount deferred in excess of \$7,000 must be reported on Form 1040, line 7. Amounts deferred under a tax-sheltered annuity plan may have a higher limit. Get **Publication 525** for details.

Line 8

Taxable Interest Income

Enter ALL of your taxable interest income. If the total interest is more than \$400, first fill in Schedule B (see page 24 of the instructions).

Report any interest you received or that was credited to your account so you could withdraw it. (It does not have to be entered

in your passbook.) Interest that was credited in 1987 on deposits that you could not withdraw because of the bankruptcy or insolvency of the financial institution may not have to be included in your 1987 income. For details, get **Publication 550, Investment Income and Expenses**.

Generally, the payer will send you a **Form 1099-INT** or, if applicable, a **Form 1099-OID** for this interest.

If you received, as a nominee, interest that actually belongs to someone else, see Schedule B instructions on page 24.

Caution: Be sure to give each payer of interest income your correct social security number. Otherwise, the payer may have to withhold 20% of the interest. You may also be subject to penalties.

For more details, get Publication 550.

Examples of Taxable Interest Income You MUST Report

Report interest from:

- Accounts (including certificates of deposit and money market accounts) with banks, credit unions, and savings and loan associations.
- Building and loan accounts.
- Notes, loans, and mortgages. Special rules apply to loans with below-market interest rates. Get **Publication 525**.
- Tax refunds (report only the interest on them as interest income).
- Bonds and debentures. Also arbitrage bonds issued by state and local governments after October 9, 1969. (Report interest on other state and local bonds and securities on line 9.) Also report as interest any gain on the disposition of certain market discount bonds issued to you after July 18, 1984, to the extent of the accrued market discount.
- U.S. Treasury bills, notes, and bonds.
- U.S. Savings Bonds. The interest is the yearly increase in the value of the bond. Interest on Series E or EE bonds can be reported using method **a** or **b** below:
 - a. Report the total interest when you cash the bonds, or when they reach final maturity and no longer earn interest; **OR**
 - b. Each year report on your return the yearly increase of the bonds' value.If you change to method **b**, report the entire increase in all your bonds from the date they were issued. Each year after report only the yearly increase. Once you have used method **b** to report your interest, you must continue to do so for all your U.S. Savings Bonds.

Note: If you receive for 1987 a **Form 1099-INT** for U.S. Savings Bond interest, which includes amounts reported before 1987, see **Publication 550**.

- Original Issue Discount (OID). This is the difference between the issue price of a debt instrument and the stated redemption price at maturity. If the instrument was issued at a discount after May 27, 1969 (or for certain noncorporate instruments after July 1, 1982), include in your interest income the discount for the part of the year you held it.

If you bought a corporate debt instrument at original issue and held it for all of 1987 or the part of 1987 that it was outstanding, include in interest income the total OID from **Form 1099-OID**. If you bought a corporate instrument after its

original issue, or if you did not hold it for all of 1987, get **Publication 1212, List of Original Issue Discount Instruments**, for information on how to figure your taxable OID. If you held a noncorporate debt instrument (such as a zero coupon U.S. Treasury-backed security) during 1987, see **Publication 1212** to figure your taxable OID.

If you had OID for 1987, but did not receive **Form 1099-OID**, or if the price you paid for the instrument is more than the issue price plus accumulated OID, see **Publication 1212**. It provides total OID on the instruments listed and gives computational information.

Also include in your interest income any other periodic interest shown on **Form 1099-OID**.

Line 9

Tax-Exempt Interest Income

Beginning in 1987, if you received any tax-exempt interest income (such as interest on certain state and municipal bonds), that interest must be reported on your return. Enter the total tax-exempt interest you received in 1987 on line 9. Also, report any exempt-interest dividends you received as a shareholder in a mutual fund or other regulated investment company. **Do not** include this interest in your total income on line 22.

Line 10

Dividends

Beginning in 1987, the dividend exclusion may no longer be claimed.

Dividends are distributions of money, stock, or other property that corporations pay to stockholders. They also include dividends you receive through a partnership, an S corporation, or an estate or trust. Payers include nominees or other agents. Generally, the payer will send you a **Form 1099-DIV** for these dividends.

If you received, as a nominee, dividends that actually belong to someone else, see Schedule B instructions on page 25.

Caution: Be sure to give each payer of dividends your correct social security number. Otherwise, the payer may have to withhold 20% of the dividend income. You may also be subject to penalties.

If the total dividends, including capital gain and nontaxable distributions, are more than \$400, first fill in Schedule B (see page 25 of the instructions). If you received \$400 or less in dividends, include only the ordinary dividends on line 10.

Dividends Include:

- **Ordinary dividends.** These are paid out of earnings and profits and are ordinary income. Assume that any dividend you receive is an ordinary dividend unless the paying corporation tells you otherwise.
- **Capital gain distributions.** If you have other capital gains or losses, also enter your capital gain distributions on Schedule D. If you don't need Schedule D to report any other gains or losses, enter your capital gain distributions on **Form 1040**, line 14, unless the **Tax Tip** below applies. Write "CGD" on the dotted line to the left of line 14.

Tax Tip: It will be to your advantage to report your capital gain distributions on Schedule D and use Part IV of that schedule to figure your tax if your taxable income (**Form 1040**, line 36) is more than:

\$27,000 if you checked Filing Status box 1; \$45,000 if you checked Filing Status box 2 or 5; \$22,500 if you checked Filing Status box 3; or \$38,000 if you checked Filing Status box 4.

• **Nontaxable distributions.** Some distributions are nontaxable because they are a return of your cost. They will not be taxed until you recover your cost. You must reduce your cost (or other basis) by these distributions. After you get back all of your cost (or other basis), you must report these distributions as capital gains.

Note: Generally, payments from a money market fund are dividends.

Do Not Report as Dividends

- Mutual insurance company dividends that reduced the premiums you paid.
- Amounts paid on deposits or accounts from which you could withdraw your money, such as mutual savings banks, cooperative banks, and credit unions. Remember to report these amounts as interest on line 8.

Line 11

Taxable Refunds of State and Local Income Taxes

If you received a refund (or credit or offset) of state or local income taxes in 1987 that you paid and deducted before 1987, you may have to report all or part of this amount as income if your itemized deduction for state and local income taxes in the year you paid the taxes resulted in a tax benefit. You may receive **Form 1099-G**, or similar statement, showing the refund.

Any part of a refund of state or local income taxes paid before 1987 that you were entitled to receive in 1987 but chose to apply to your 1987 estimated state income tax is considered to have been received in 1987.

Do not report the refund as income if it was for a tax you paid in a year for which you did not itemize deductions on Schedule A (**Form 1040**), or it was for a year in which you filed **Form 1040A** or **Form 1040EZ**.

If the refund was for a tax you paid in a year for which you itemized deductions on Schedule A, use the worksheet on page 11 to figure the amount, if any, you must report as income for 1987.

However, see **Recoveries in Publication 525, Taxable and Nontaxable Income**, instead of using the worksheet on page 11 if any of the following applies:

- The refund you received in 1987 is for a tax year other than 1986.
- You received a refund (other than an income tax refund, such as a real property tax refund) in 1987 of an amount you deducted or credit you claimed in an earlier year.
- Your 1986 taxable income was less than your 1986 zero bracket amount.
- Your last payment of 1986 estimated state income tax was made in 1987.
- You were liable for the alternative minimum tax in 1986.
- You could not deduct the full amount of the credits you were entitled to in 1986 because the total credits exceeded the tax shown on your 1986 **Form 1040**, line 40.

Worksheet—see line 11 instructions on page 10 (Keep for your records)

1. Enter the income tax refund from Form(s) 1099-G (or similar statement). _____
2. Enter the amount from your 1986 Schedule A, line 26 _____
3. **Taxable part of your refund.** Compare the amounts on lines 1 and 2 above, and enter the smaller of the two amounts here and on Form 1040, line 11 _____

Line 12

Alimony Received

Enter amounts you received as alimony or separate maintenance. You must let the person who made the payments know your social security number. If you do not provide this information to the payer, you may have to pay a \$50 penalty. For more details, get **Publication 504**, Tax Information for Divorced or Separated Individuals.

If you received payments under a divorce or separation instrument executed after 1984, see the instructions for line 28 on page 15 for information on the rules that apply in determining whether these payments qualify as alimony.

Line 14

Capital Gain or (Loss)

Enter the gain or (loss) from Schedule D. If you do not need Schedule D for other capital transactions, enter your capital gain distributions on line 14. Write "CGD" on the dotted line to the left of line 14.

Line 15

Other Gains or (Losses)

If you sold or exchanged assets used in a trade or business, see the instructions for **Form 4797**. Enter the gain or (loss) from **Form 4797**.

Lines 16a and 16b

Pensions, IRA Distributions, Annuities, and Rollovers

Use lines 16a and 16b to report pension and annuity income and regular individual retirement arrangement (IRA) distributions you received. Also, use these lines to report distributions from profit-sharing plans, retirement plans, employee-savings plans, and IRA rollovers. In general, you should receive a **Form W-2P** showing the amount of your pension or annuity. Also see **Total Distributions From Profit-Sharing, Retirement Plans, and IRAs** on this page.

Do not use lines 16a and 16b to report social security or railroad retirement benefits shown on **Forms SSA-1099** and **RRB-1099**. Instead, see the instructions for lines 20a and 20b.

Caution: Beginning in 1987, if you received a premature or excess distribution from a qualified retirement plan, you may owe additional tax. For details, get **Form 5329** and its instructions.

Fully Taxable Pensions and Annuities.

Your pension or annuity payments are fully taxable if:

- you did not contribute to the cost of your pension or annuity, or
- you got back tax-free your entire cost before 1987.

Fully taxable pensions and annuities also include military retirement pay shown on **Form W-2P**, most distributions from an IRA (including premature distributions, but not rollovers) and any taxable railroad retirement benefits from Box 12 of **Form RRB-W-2P**. If you received **Form RRB-W-2P** and an amount is shown in Box 13 of your form, get **Publication 575**, Pension and Annuity Income, for information on how to report your benefits.

If your pension or annuity is fully taxable, enter it on line 16b; no entry is required on line 16a.

Other Pensions and Annuities. If your **Form W-2P** does not show the taxable part of your pension or annuity, you must figure the taxable amount as explained below.

If your annuity starting date was after July 1, 1986, you must use the General Rule explained in **Publication 575** and **Publication 721**, Comprehensive Tax Guide to U.S. Civil Service Retirement Benefits, to figure the taxable part of your pension or annuity. Your annuity starting date is the later of the first day of the first period for which you receive a payment from the plan or the date on which the plan's obligations became fixed. Both publications contain a worksheet you may use to figure the taxable part under this rule. If you submit a ruling request before the due date of your return (including extensions), IRS will figure the taxable part for you; get **Publication 575** or **721** for details. Enter the amount you received this year on line 16a. Enter the taxable part on line 16b.

If your annuity starting date was before July 2, 1986, and you meet both of the following requirements, complete the worksheet below to figure the taxable part, if any, of your pension or annuity. If you do not meet both of the following requirements, you must use the General Rule to figure the taxable part.

1. Both you and your employer contributed to the pension or annuity.
2. The total amount you expected to receive within 3 years from the date of your first annuity payment equaled or exceeded your full cost. (Your cost includes amounts you contributed and amounts your employer contributed that you reported as income.)

Pension and Annuity Worksheet

(Keep for your records)

- 1a. Enter your cost. _____
- b. Cost recovered in prior years. _____
- c. Subtract line 1b from line 1a. _____
2. Amount received this year. Also enter this amount on **Form 1040**, line 16a _____
3. Enter amount from line 1c above _____
4. **Taxable amount.** Subtract line 3 from line 2. Enter the result (but not less than zero). Also enter this amount on **Form 1040**, line 16b _____

Note: If you had more than one pension or annuity that is not fully taxable, figure the taxable part of each separately. Enter the total of the taxable parts on **Form 1040**, line 16b.

Caution: Certain transactions, such as loans against your interest in a qualified plan, may be treated as taxable distributions and may also be subject to penalties. For details, see **Publication 575**.

For information on military disability pensions, get **Publication 525**, Taxable and Nontaxable Income.

Total Distributions From Profit-Sharing, Retirement Plans, and IRAs

Rollover Distributions. A "rollover" is a tax-free transfer of cash or other assets from one retirement program to another. There are two kinds of rollovers to an individual retirement arrangement (IRA): (1) a rollover from one IRA to another, and (2) a rollover from a qualified employer's plan to an IRA.

Rollover distributions are reported to you on **Form 1099-R**. For a rollover distribution, enter the total distribution (excluding your nondeductible contribution, if any) on line 16a. If the total on line 16a was rolled over, enter zero on line 16b. Otherwise, enter the part that was not rolled over as ordinary income on line 16b. Special rules apply to partial rollovers of property. For details on partial or total IRA rollovers, get **Publication 590**, Individual Retirement Arrangements (IRAs).

For details on other rollovers, including distributions under qualified domestic relations orders, get **Publication 575**.

Lump-Sum Distributions. If you received a lump-sum distribution from a profit-sharing or retirement plan, you should receive a **Form 1099-R** showing the amount of the distribution. Beginning in 1987, the total of the ordinary income part and the capital gain part should be entered on line 16b; no entry is required on line 16a. However, you may pay less tax on this distribution if: (1) you are eligible to treat the capital gain part as a long-term capital gain on Schedule D (**Form 1040**), or (2) you were age 50 or over on January 1, 1986, and you are eligible to use the special 5- or 10-year averaging method or to have the capital gain part taxed at 20%. (The 5- or 10-year averaging method cannot be used for lump-sum distributions from IRA plans.) For more details, get **Form 4972**, Tax on Lump-Sum Distributions, and its instructions.

Note: If you received a 1987 **Form 1099-R** for a lump-sum distribution you received before March 16, 1987, and you elected to report that distribution on your 1986 return, enter the distribution on line 16a and zero (0) on line 16b. Also write "LSE" on the dotted line to the left of line 16b.

Beneficiaries—Death Benefit Exclusion

If you are the beneficiary of a deceased employee or deceased former employee, amounts paid to you by, or on behalf of, an employer because of the death of the employee may qualify for a death benefit exclusion of up to \$5,000.

Special rules apply if you are the survivor under a joint and survivor's annuity. For details, get **Publication 575**.

If you are entitled to this exclusion, add it to the cost of the pension or annuity.

Line 19

Unemployment Compensation

Beginning in 1987, unemployment compensation (insurance) is fully taxable. By February 1, 1988, you should receive a

Form 1099-G showing the total unemployment compensation paid to you during 1987.

Use line 19 to report the unemployment compensation you received. If you received an overpayment of unemployment compensation in 1987 and you repaid it in 1987, subtract the amount you repaid from the total amount you received and enter the result on line 19. Also write "repayment" and the amount you repaid on the dotted line to the left of line 19.

Note: *Supplemental unemployment benefits received from a company-financed supplemental unemployment benefit fund are wages. Report these benefits on Form 1040, line 7.*

Lines 20a and 20b

Social Security Benefits and Equivalent Railroad Retirement Benefits

Social security benefits you receive may be taxable in some instances. Social security benefits include any monthly benefit under title II of the Social Security Act or the part of a tier 1 railroad retirement benefit treated as a social security benefit. Social security benefits do not include any Supplemental Security Income (SSI) payments.

By February 1, 1988, you should receive a **Form SSA-1099** showing the total social security benefits paid to you in 1987, and the amount of any social security benefits you repaid in 1987. If you received railroad retirement benefits treated as social security, you should receive **Form RRB-1099**. For more information, get **Publication 915**, Social Security Benefits and Equivalent Railroad Retirement Benefits.

Use the worksheet below to see if any of your benefits are taxable, but please note the following before you begin to complete it.

- You will first need to complete Form 1040, lines 7, 8, 9, 10 through 19, 21, and 29 if they apply to you to figure the taxable part, if any, of your benefits.
- If you repaid any benefits in 1987, and your total repayments (Box 4) were more than your total benefits for 1987 (Box 3), **do not** use the worksheet below. None of your benefits are taxable for 1987. But you may be able to take an itemized deduction for part of the excess repayments if they were for benefits you included in gross income in an earlier year. Get Publication 915 for details.
- If you file **Form 2555** or **Form 4563**, or you exclude income from sources within Puerto Rico, use the worksheet in Publication 915 instead of the one below.

Line 21

Other Income

Use line 21 to report any income you can't find a place for on your return or other schedules. List the type and amount of income. If necessary, show the required information on an attached statement. For more information, see **Miscellaneous Taxable Income in Publication 525**, Taxable and Nontaxable Income.

Caution: *Do not report any income from self-employment on line 21. If you do have any income from self-employment, you must use Schedule C or Schedule F. Amounts your employer paid you for business expenses that are more than you spent for the actual business expenses should be added to the wages shown on line 7 unless they were already included on your Form W-2.*

Examples of income to be reported on line 21 are:

- Prizes, awards, and gambling winnings. Proceeds from lotteries, raffles, etc., are gambling winnings. You must report the full amount of your winnings on this line. You cannot offset losses against winnings and report the difference.

If you had any gambling losses, you may take them as an itemized deduction on Schedule A. However, you cannot deduct more losses than the winnings you report.

- Repayment of medical expenses or other items such as real estate taxes that you deducted in an earlier year if they reduced your tax. See Publication 525 for information on how to figure the amount to include in income.
- Amounts you recovered on bad debts that you deducted in an earlier year.
- Fees received for jury duty and precinct election board duty.

Net Operating Loss. If you had a net operating loss in an earlier year to carry forward to 1987, enter it as a minus figure on line 21. Attach a statement showing how you figured the amount. Get **Publication 536**, Net Operating Losses, for more details.

Social Security Benefits Worksheet (Keep for your records)

Check only one box

- A.** Single—enter \$25,000 on line 7 below.
- B.** Married filing a joint return—enter \$32,000 on line 7 below.
- C.** Married not filing a joint return and lived with your spouse at any time during the year—enter -0- on line 7 below.
- D.** Married not filing a joint return and **DID NOT** live with your spouse at any time during the year—enter \$25,000 on line 7 below.

1. Enter the total amount from **Box 5** of **ALL** your **Forms SSA-1099** and **Forms RRB-1099** (if applicable) _____

Note: *If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go on to line 2.*

2. Divide the amount on line 1 by 2 _____

3. Add the amounts on Form 1040, lines 7, 8, 9, 10 through 19, plus line 21. Do not include here any amounts from Box 5 of Forms SSA-1099 or RRB-1099 _____

4. Add lines 2 and 3 _____

5. Enter the amount from Form 1040, line 29 _____

6. Subtract line 5 from line 4 _____

7. Enter $\left\{ \begin{array}{l} \$25,000 \text{ if you checked box A or D, or} \\ \$32,000 \text{ if you checked box B, or} \\ -0- \text{ if you checked box C} \end{array} \right\}$ _____

8. Subtract line 7 from line 6 _____

Note: *If line 8 is zero or less, stop here. Do not enter any amounts on lines 20a and 20b because none of your benefits are taxable. Otherwise, go on to line 9.*

9. Divide the amount on line 8 by 2 _____

10. Taxable social security benefits.

- First, enter on Form 1040, line 20a, the amount from line 1 above.
- Then, compare the amounts on lines 2 and 9 above, and enter the **smaller** of the two amounts on this line and also on Form 1040, line 20b.

Note: *If part of your benefits are taxable for 1987 AND they include benefits paid in 1987 that were for 1986, 1985, or 1984, you may be able to reduce the taxable amount shown on the worksheet. Get Publication 915 for details.*

Adjustments to Income

Line 23

Reimbursed Employee Business Expenses

Beginning in 1987, only business expenses that were paid by your employer (or a third party) may be deducted on line 23, even if you were an outside salesperson. Unreimbursed business expenses may be deducted only as a miscellaneous itemized deduction on Schedule A. You must complete and attach **Form 2106**, Employee Business Expenses, to figure your deduction.

Exception. If you accounted to your employer for your expenses by means of an account book, diary, or similar statement, your expenses were equal to your reimbursement, and the reimbursement was not included as wages on your W-2 form, you do not have to complete Form 2106.

For details, see **Tele-Tax Information** in the index (topic no. 251) or get **Publication 463**, Travel, Entertainment, and Gift Expenses, or **Publication 917**, Business Use of a Car.

Performing Artists. Beginning in 1987, if you worked in the performing arts for more than one employer, you may be able to deduct your unreimbursed business expenses related to that work on line 23. For details, get **Publication 529**, Miscellaneous Deductions.

Lines 24a and 24b

Individual Retirement Arrangement (IRA) Deduction

Use lines 24a and 24b to deduct contributions to your IRA and, if you file a joint return, to your spouse's IRA. Generally, the IRA deduction limits under prior rules still apply. However, beginning in 1987, your IRA deduction may be further reduced or eliminated if you are covered by your employer's retirement plan (qualified pension, profit-sharing, annuity, SEP, etc.). But, you may now make nondeductible contributions to your IRA whether or not you are covered by your employer's plan. Earnings on both deductible and nondeductible contributions to your IRA are not taxed until they are distributed to you.

Not Covered by Your Employer's Retirement Plan.

If you (and your spouse if filing a joint return) were not covered by a retirement plan at work in 1987, you can continue to take a **full IRA deduction**. Use **Worksheet 1** to figure your deduction. If you are married filing a separate return and you were not covered by a retirement plan at work but your spouse was, you are not considered to be covered by a retirement plan.

Caution: Pending legislation would treat married persons filing separately as covered by a plan if their spouse was covered by a plan and they lived with their spouse at any time during the year.

Covered by Your Employer's Retirement Plan.

Your Form W-2 should have the "Pension Plan" box in Box 5 checked if you were covered by your employer's plan. You are usually considered covered even if you are not vested in the plan. Get **Publication 590**, Individual Retirement Arrangements (IRAs), if you need more details on who is considered covered by an employer's retirement plan. If you (or your spouse if filing a joint return) were covered by an employer's retirement plan, use the chart on this page to see if you can take an IRA deduction for 1987 and, if you can, which worksheet you should use to figure the amount you may deduct.

Nondeductible Contributions. You may choose to make nondeductible contributions to your IRA even if you are allowed to deduct all, part, or none of your IRA contributions for 1987. Your nondeductible contribution is the difference between your total allowable IRA contributions (up to the maximum amount) and the amount you deduct on your 1987 return.

Example. You file as single. You made a \$2,000 IRA contribution for 1987. You cannot take an IRA deduction because you were covered by your employer's retirement plan and your modified AGI* is over \$35,000 (all wages). You can, however, treat up to \$2,000 as a nondeductible contribution.

If you use **Worksheet 1** to figure your deductible IRA, you may choose to treat all or part of the amount shown on line 3 of

that worksheet (or line 8 if applicable) as a nondeductible contribution instead of taking a deduction for that amount.

If you use **Worksheet 2** to figure your deductible IRA, you may choose to treat all or part of the amounts shown on lines 9 and 10 of that worksheet (or lines 19 and 20 if applicable) as a nondeductible contribution.

Report all contributions you choose to treat as nondeductible on line 3 of **Form 8606**, Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA

Distributions, and attach that form to your return. Also use that form to figure the basis (nontaxable part) of your IRA and, if you have a basis in your IRA, the taxable part of any distribution from your IRA. If you and your spouse each make a nondeductible IRA contribution, each of you must complete and attach a separate Form 8606.

Note: If you file **Form 2555**, *Foreign Earned Income*, use the chart and the applicable worksheet in **Publication 590**.

If you (or your spouse if filing a joint return) were COVERED by a retirement plan and—

you checked Filing Status box:	and your modified AGI* is:	you:
—	\$25,000 or less	Can take a full IRA deduction (use Worksheet 1)
1 or 4 on Form 1040, page 1	Over \$25,000 but less than \$35,000	Can take a partial IRA deduction (use Worksheet 2)
—	\$35,000 or more	Cannot take an IRA deduction (see Nondeductible Contributions)
—	\$40,000 or less	Can take a full IRA deduction (use Worksheet 1)
2 or 5 on Form 1040, page 1	Over \$40,000 but less than \$50,000	Can take a partial IRA deduction (use Worksheet 2)
—	\$50,000 or more	Cannot take an IRA deduction (see Nondeductible Contributions)
—	Over \$0- but less than \$10,000	Can take a partial IRA deduction (use Worksheet 2)
3 on Form 1040, page 1	\$10,000 or more	Cannot take an IRA deduction (see Nondeductible Contributions)

***Modified AGI (adjusted gross income)** is the amount on Form 1040, line 22, minus the total of any deductions claimed on Form 1040, lines 23, 25 through 28, and any write-in amount included on line 29.

Before completing the worksheet that applies to you, note the following:

- You should receive a statement by May 31, 1988, showing all contributions made to your IRA for 1987.
- If you made contributions to your IRA in 1987 that you deducted for 1986, do not include those contributions in the worksheet you use.
- If you make contributions to your IRA (or, if applicable, your spouse's IRA) in 1988 (by April 15) for 1987, include these when completing the applicable worksheet.
- If the total of your IRA deduction on line 24a or 24b, whichever applies, and your nondeductible contributions, if any, is less than your IRA contributions for 1987, see **Publication 590** for special rules.
- If you were married, you must file a joint return to deduct contributions to your **nonworking spouse's** IRA for 1987. A **nonworking spouse** is one who had no wages or other earned income in 1987, or a working spouse who chooses to be treated as having no earned income for purposes of the deduction.
- Do not include rollover contributions in figuring your deduction. See the instructions for lines 16a and 16b on page 11 for more details on rollover contributions.
- Do not include trustee's fees that were billed separately and paid by you for your IRA. These fees can be deducted only as an itemized deduction on Schedule A.

- Alimony payments received under certain divorce or separation instruments are considered earned income for purposes of the IRA deduction. See **Publication 590**.
- You will first need to complete Form 1040, through line 23 and lines 25 through 28, if they apply to you, to figure your IRA deduction and, if applicable, nondeductible contributions.

Note: If you were married and both spouses worked and both had IRAs, figure each spouse's deduction separately.

IRA Worksheet 1 (Keep for your records)

Caution: Use this worksheet **only** if:

- (1) you (and your spouse if filing a joint return) were not covered by a retirement plan at work; **or**
- (2) you (or your spouse if filing a joint return) were covered by a retirement plan at work and your modified AGI (defined above) is:

- \$25,000 or less, and you checked Filing Status box 1 or 4 on Form 1040, page 1; **or**
- \$40,000 or less, and you checked Filing Status box 2 or 5 on Form 1040, page 1.

1. Enter IRA contributions you made for 1987, but do not enter more than \$2,000
2. Enter your wages and other earned income from Form 1040, minus any deduction you claim on Form 1040, line 26. (Do not include your spouse's income and do not reduce your wages by losses from self-employment.)

3. Compare the amounts on lines 1 and 2 and enter the **smaller** of the two amounts on line 3. Enter on Form 1040, line 24a or 24b, whichever applies, the amount on line 3 you choose to deduct. If contributions were made to your nonworking spouse's IRA, go on to line 4.
- Complete lines 4 through 8 ONLY if contributions were made to an IRA for your nonworking spouse (as defined on page 13).**
4. Compare the amount on line 2 to \$2,250. Enter the **smaller** of the two amounts.
 5. Enter the amount from line 3.
 6. Subtract line 5 from line 4.
 7. Enter IRA contributions made for 1987 for your nonworking spouse, but **do not** enter more than \$2,000.
 8. Compare the amounts on lines 2, 6, and 7 and enter the **smallest** of the three amounts on line 8. Enter on Form 1040, line 24b, the amount on line 8 you choose to deduct.

IRA Worksheet 2 (Keep for your records)

Caution: Use this worksheet **only** if you (or your working spouse if filing a joint return) were covered by a retirement plan at work and your modified AGI (defined on page 13) is:

Over:	But not over:	And you checked Filing Status box:
\$25,000	\$35,000	1 or 4 on Form 1040, page 1
\$40,000	\$50,000	2 or 5 on Form 1040, page 1
\$0-	\$10,000	3 on Form 1040, page 1

1. If you checked Filing Status box:

{	1 or 4, enter \$35,000
	2 or 5, enter \$50,000
	3, enter \$10,000
2. Enter the amount from Form 1040, line 22.
3. Add amounts on Form 1040, lines 23, 25 through 28, and any write-in amount included on line 29.
4. Subtract line 3 from line 2. If the result is equal to or larger than the amount on line 1, none of your IRA contributions are deductible. Stop here; if you want to make a nondeductible IRA contribution, see Form 8606.
5. Subtract line 4 from line 1. **If the result is \$10,000 or more, stop here; complete Worksheet 1.**
6. Multiply the amount on line 5 by 20% (.20). If the result is not a multiple of \$10, round it up to the next multiple of \$10 (for example, round \$490.30 to \$500). However, if the result is less than \$200, enter \$200 on line 6. Go on to line 7.

Deductible IRA contributions

7. Enter your wages and other earned income from Form 1040, minus any deduction you claim on Form 1040, line 26. (Do not include your spouse's income and do not reduce your wages by losses from self-employment.)

8. Enter IRA contributions you made for 1987, but **do not** enter more than \$2,000.
9. Compare the amounts on lines 6, 7, and 8 and enter the **smallest** of the three amounts on line 9. Enter on Form 1040, line 24a or 24b, whichever applies, the amount on line 9 you choose to deduct. (If line 8 is more than line 9, go on to line 10.)

Nondeductible IRA contributions

10. Subtract line 9 from line 7 or line 8, whichever is **smaller**. Enter the result. Enter on your Form 8606, line 3, the amount on line 10 you choose to make nondeductible.

If contributions were made to an IRA for your nonworking spouse (as defined on page 13), complete lines 11 through 20.

Deductible IRA contributions for nonworking spouse

11. Compare the amount on line 7 to \$2,250. Enter the **smaller** of the two amounts.
12. Add line 9 and the amount on line 10 you choose to make nondeductible.
13. Subtract line 12 from line 11. If the result is zero or less, stop here; you cannot make deductible or nondeductible IRA contributions for your nonworking spouse.
14. Enter the **smallest** of: (a) IRA contributions made for 1987 that are for your nonworking spouse; (b) \$2,000; or (c) the amount on line 13.
15. Multiply the amount on line 5 by 22.5% (.225). If the result is not a multiple of \$10, round it up to the next multiple of \$10. However, if the result is less than \$200, enter \$200 on line 15.

Nondeductible IRA contributions for nonworking spouse

16. Enter the amount from line 9.
17. Subtract line 16 from line 15.
18. Compare the amounts on lines 14 and 17. Enter the **smaller** of the two amounts.
19. Compare the amounts on lines 6, 7, and 18 and enter the **smallest** of the three amounts on line 19. Enter on Form 1040, line 24b, the amount on line 19 you choose to deduct. (If line 14 is more than line 19, go on to line 20.)

Nondeductible IRA contributions for nonworking spouse

20. Subtract line 19 from line 14. Enter the result. Enter on your spouse's Form 8606, line 3, the amount on line 20 you choose to make nondeductible.

Line 25

Self-Employed Health Insurance Deduction

Beginning in 1987, if you were self-employed and had a net profit for the year, you may be able to deduct up to 25% of the amount paid for health insurance on behalf of yourself, your spouse, and dependents. However, you may not take the deduction if you were eligible to participate in any subsidized health plan maintained by your or your spouse's employer. In addition, if you had employees, you may not take the deduction unless you provided nondiscriminatory health insurance

coverage to your employees. For more details, get **Publication 535, Business Expenses**.

If you qualify to take the deduction, use the worksheet below to figure the deduction. However, if any of the following applies, use the worksheet in Publication 535 instead of the one below to figure your deduction:

1. You file **Form 2555** or **Form 4563**, or you exclude income from sources within Puerto Rico.
2. You claim a net operating loss deduction.

Worksheet (Keep for your records)

1. Enter amount paid for health insurance for 1987 for you, your spouse, and dependents.
2. Percentage used to figure the deduction x .25
3. Multiply the amount on line 1 by the percentage on line 2.
4. Enter your net profit from self-employment (from Schedule C and F (Form 1040), Schedule K-1 (Form 1065), and any other earned income*) minus any deduction you claim on Form 1040, line 26.
5. Compare the amounts on lines 3 and 4. Enter the **smaller** of the two amounts here and on Form 1040, line 25. (**DO NOT** include this amount in figuring any medical expense deduction on Schedule A (Form 1040).)

**Earned income includes net earnings and gains (other than capital gains) from the disposition, transfer, or licensing of property you created.*

Line 26

Keogh Retirement Plan and Self-Employed SEP Deduction

Caution: You must be self-employed to claim the Keogh deduction. Sole proprietors and partners enter the allowable deduction for contributions to your Keogh plan and your SEP on line 26.

There are two types of Keogh retirement plans:

- **Defined-contribution plan.** This plan provides an individual account for each person in the plan. In general, if contributions to the plan are geared to the employer's profits, the plan is a profit-sharing plan. If contributions are not based on the employer's profits, the plan is a money purchase pension plan.
- **Defined-benefit plan.** The deduction for this type of plan is determined by the investment needed to fund a specific benefit at retirement age. Write "DB" on the line to the left of the amount if you have a defined-benefit plan.

For more details, get **Publication 560, Self-Employed Retirement Plans**.

Line 27

Penalty on Early Withdrawal of Savings

The **Form 1099-INT** or, if applicable, **Form 1099-OID** given to you by your bank or savings and loan association will show the amount of any penalty you were charged because you withdrew funds from your time savings deposit before its maturity. Enter this amount on line 27. (Be sure to include the interest income on Form 1040, line 8.)

Line 28

Alimony Paid

You can deduct periodic payments of alimony or separate maintenance made under a court decree. You can also deduct payments made under a written separation agreement or a decree for support. Don't deduct lump-sum cash or property settlements, voluntary payments not made under a court order or a written separation agreement, or amounts specified as child support. For details, see **Tele-Tax Information** in the index (topic no. 253) or get **Publication 504**, Tax Information for Divorced or Separated Individuals.

You must enter the recipient's last name, if different than yours, and his or her social security number in the space provided on line 28. If you don't, you may have to pay a \$50 penalty and your deduction may be disallowed. If you paid alimony to more than one person, enter the social security number and last name, if applicable, of one of the recipients. Show the required information, including the amount paid, for the other recipient(s) on an attached statement. Enter your total payments on line 28.

Divorce or Separation Instruments Executed After 1984.

Generally, you may deduct any payment made in cash to, or on behalf of, your spouse or former spouse under a divorce or separation instrument executed after 1984 if:

- the instrument does not prevent the payment from qualifying as alimony, **and**
- you and your spouse or former spouse did not live together when the payment was made if you were separated under a decree of divorce or separate maintenance, **and**
- you are not required to make any payment after the death of your spouse or former spouse, **and**
- the payment is not treated as child support.

These rules also apply to certain instruments modified after 1984. Other rules apply if you paid more than \$10,000 in any calendar year. For more details, see Publication 504.

Line 29

Total Adjustments

Add lines 23 through 28 and enter the total on line 29. Also include in the total on line 29 any of the following adjustments.

Forestation/Reforestation Amortization.

If you can claim a deduction for amortization of the costs of forestation or reforestation and you do not have to file Schedule C or Schedule F for this activity, include your deduction in the total on line 29. Write "Reforestation" in the space to the left of the total.

Repayment of Sub-Pay Under the Trade Act of 1974.

If you repaid supplemental unemployment benefits (sub-pay) that you previously reported in income because you became eligible for payments under the Trade Act of 1974, include the amount you repaid in 1987 in the total on line 29. Write "Sub-pay TRA" in the space to the left of the total. Or, you may be able to claim a credit against your tax instead. Get **Publication 525**, Taxable and Nontaxable Income, for more details.

Line 30

Adjusted Gross Income

If line 30 is less than zero, you may have a net operating loss that you can carry to another tax year. If you carry the loss back to earlier years, see **Form 1045**. For more information, get **Publication 536**, Net Operating Losses.

IRS Will Figure Your Tax and Some of Your Credits

If you want us to, we will figure your tax for you. If you paid too much, we will send you a refund. If you did not pay enough, we will bill you for the balance. You will not be charged interest or the penalty for late payment if the bill for tax due is paid within 30 days of the notice date, or by the due date for your return, whichever is later.

We can figure your tax if you meet **all** of the conditions described below:

- All of your income for 1987 was from one or more of these sources:
 - a. Salaries, wages, and tips.
 - b. Interest.
 - c. Dividends.
 - d. Pensions or annuities.
 - You do not itemize deductions.
 - You cannot be claimed as a dependent on another person's return.
 - You do not file **Schedule D**, Capital Gains and Losses and Reconciliation of Forms 1099-B.
 - You do not file **Form 8615**, Computation of Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,000.
 - You do not file **Form 2555**, Foreign Earned Income.
 - Your adjusted gross income (line 30) is not more than \$50,000.
 - You (and your spouse if you are filing a joint return) sign and date your return and mail it by April 15, 1988.
 - You do not want any of your refund applied to next year's estimated tax.
 - You give us enough information so that we can figure the tax. Please read the following instructions:
 - a. Fill in the parts of your return through line 36 that apply to you. The Line-By-Line Instructions that start on page 6 explain how to fill in your return.
 - b. Read lines 40 through 61. Fill in the lines that apply to you, but do not fill in the Total lines. Please be sure to fill in line 54 for Federal income tax withheld. See the instructions below if you want us to figure your credit for the elderly or for the permanently and totally disabled, or earned income credit.
 - c. If you are filing a joint return, use the space under the words "Adjustments to Income" on the front of your return to show your taxable income and your spouse's taxable income separately.
 - d. Fill in any forms or schedules asked for on the lines you completed, and attach them to the return when you file it.
- We will figure the following credits too.** Fill in your return through line 36 as explained above. Follow the instructions below and sign, date, and mail your return before the due date.

Credit for the Elderly or for the Permanently and Totally Disabled.—If you qualify to take this credit, attach **Schedule R** to your return and write "CFE" on the dotted line to the left of line 41.

Check the box on Schedule R for your filing status and age, and fill in lines 11 and 13 if applicable. Also, complete Part II if applicable.

Earned Income Credit.—If you qualify to take this credit (see the instructions for line 56 on page 18), write "EIC" on line 56.

Tax Computation Lines 32a through 32c

Line 32a. If you were age 65 or over or blind, check the appropriate boxes on line 32a. If you were married and checked the box on line 6b on page 1 of Form 1040 and your spouse was 65 or over or blind, also check the appropriate boxes for your spouse.

Age and blindness are determined as of December 31. However, if your 65th birthday was on January 1, 1988, you should check the "65 or over" box on your 1987 return.

Proof of Blindness. If you are completely blind, attach a statement to your return to this effect.

In cases of partial blindness, you must attach to your return each year a certified statement from an eye physician or registered optometrist that:

1. you cannot see better than 20/200 in the better eye with glasses or contact lenses, **OR**
2. your field of vision is not more than 20 degrees.

If this eye condition will never improve beyond the standards in 1 or 2, you may submit a certified opinion to this effect from an examining eye physician. You must attach this certification to your return only once. In later years you can just include a statement referring to it.

Line 32c. If you were a dual-status alien and you file a joint return with your spouse who was a U.S. citizen or resident at the end of 1987 and you and your spouse agree to be taxed on your combined worldwide income, **do not** check the box on line 32c. Otherwise, check the box.

Line 33a

Itemized Deductions

Should You Itemize? You must decide whether to itemize your deductions for charitable contributions, medical expenses, interest, taxes, etc., or take the standard deduction (discussed later). Compare your total itemized deductions reportable on **Schedule A** (Form 1040), with your allowable standard deduction. If your itemized deductions are more than your standard deduction, your Federal income tax will be less if you itemize. To figure your allowable standard deduction, see **Standard Deduction** under the line 33b instructions.

Caution: If you checked any of the boxes on lines 32a, 32b, or 32c of your tax return, special standard deduction rules apply to you. See **Special Standard Deduction Rules**, discussed later.

If you decided to itemize your deductions, complete and attach Schedule A and enter the amount from Schedule A, line 26, on Form 1040, line 33a. If your itemized deductions are less than the amount of your allowable standard deduction (or you choose not to itemize), enter zero on line 33a and go on to line 33b.

Line 33b

Standard Deduction

If you do not itemize your deductions, you may take the standard deduction instead.

Exception. If you checked the box on line 32c, you cannot take the standard deduction.

If you checked **any** of the boxes on lines 32a, 32b, or 32c, you must use the **Special Standard Deduction Rules**, discussed below, to figure the amount of your standard deduction.

If you were not required to check any of the boxes on lines 32a, 32b, or 32c, enter on line 33b the preprinted standard deduction amount for your filing status that appears on line 33b of the return.

Special Standard Deduction Rules

Special rules apply if:

- You were age 65 or over or blind (you checked any box on **line 32a**);
- You can be claimed as a dependent on another person's return (you checked the box on **line 32b**); or
- You checked the box on **line 32c**.

Box on Line 32c Checked — No Standard Deduction Allowed. If you are married filing a separate return and your spouse itemizes deductions, or if you are a dual-status alien, you cannot take the standard deduction even if you were 65 or over or blind.

Standard Deduction for Persons Age 65 or Over or Blind. If you checked any box on **line 32a**, your standard deduction will generally be larger than the amount for other individuals. Use the following chart to find the standard deduction amount to enter on line 33b. But before using the chart, make sure you enter the total number of boxes checked on line 32a in the space provided on that line. However, if you can be claimed as a dependent on another person's return, see the worksheet for dependents.

If your Filing Status is:	and the number on Form 1040, line 32a, is:	on Form 1040, line 33b, enter:
Single	1	\$3,750
	2	\$4,500
Married filing joint return or Qualifying widow(er) with dependent child	1	\$5,600
	2	\$6,200
	3	\$6,800
	4	\$7,400
Married filing separate return	1	\$3,100
	2	\$3,700
	3	\$4,300
	4	\$4,900
Head of household	1	\$5,150
	2	\$5,900

Standard Deduction for Children and Other Dependents. If you can be claimed as a dependent on another person's return (such as your parents' return), use the following worksheet to figure the amount to

enter on line 33b. Be sure you check the box on line 32b.

Worksheet for Dependents

(Keep for your records)

1. Enter your **earned income** (defined below) \$500
2. Minimum amount \$500
3. Compare the amounts on lines 1 and 2. Enter the **larger** of the two amounts on line 3
4. If under 65 and not blind, enter on line 4 the amount shown below for your filing status. If 65 or over or blind, enter on line 4 the amount from the standard deduction chart above that applies to you.
 - Single or Head of household, enter \$2,540
 - Married filing separate return, enter \$1,880
 - Married filing jointly or Qualifying widow(er) with dependent child, enter \$3,760
5. **Standard deduction.**
 - a. Compare the amounts on lines 3 and 4. Enter the **smaller** of the two amounts. If under 65 and not blind, stop here; enter this amount on Form 1040, line 33b. Otherwise, go on to line 5b
 - b. If 65 or over or blind, multiply the number entered on Form 1040, line 32a, by \$750 (\$600 if married filing a joint or separate return or a qualifying widow(er) with dependent child). Enter the result
 - c. Add lines 5a and 5b
 - d. Compare the amounts on lines 4 and 5c. Enter the **smaller** of the two amounts here and on Form 1040, line 33b

Example. Walter Green is single and can be claimed as a dependent on his parents' return. Walter's total income is \$1,000. Of this amount, \$400 was wages and \$600 was taxable interest income. Walter does not have any itemized deductions. Because Walter can be claimed as a dependent on his parents' return and he does not itemize deductions, he must use the worksheet to figure his standard deduction. Walter enters his wages on line 1 and \$2,540, the standard deduction for a single individual who is under age 65 and not blind, on line 4. He completes the worksheet as shown below and enters \$500 on Form 1040, line 33b. He then completes his return using the instructions that follow line 33b.

1. Earned income \$400
2. Minimum amount 500
3. Compare the amounts on lines 1 and 2. Enter the **larger** of the two amounts. 500
4. Standard deduction for a single individual 2,540
5. **Standard deduction.**
 - a. Compare the amounts on lines 3 and 4. Enter the **smaller** of the two amounts. If under 65 and not blind, stop here; enter this amount on Form 1040, line 33b 500

Earned income includes wages, salaries, tips, professional fees, and other compensation

received for personal services you performed. Beginning in 1987, it also includes any amount received as a scholarship that you must include in your income.

Generally, your earned income is the total of the amount(s) you reported on Form 1040, lines 7, 13, and 18.

Line 35

Exemptions

Use the following chart to find the amount to enter on line 35. If you claimed more than 10 exemptions, multiply \$1,900 by the total number of exemptions entered on line 6e.

If the number on Form 1040, line 6e, is:	On Form 1040, line 35, enter:
1	\$1,900
2	3,800
3	5,700
4	7,600
5	9,500
6	11,400
7	13,300
8	15,200
9	17,100
10	19,000

Line 37

Tax

To figure your tax, use one of the following methods.

Tax Rate Schedules. You must use the Tax Rate Schedules to figure your tax if your taxable income is \$50,000 or more.

Schedule D. Beginning in 1987, if you had a net capital gain, your tax may be less if you can use Schedule D, Part IV, Alternative Tax Computation, to figure your tax. See Part IV of Schedule D.

Tax Tip: If you had capital gain distributions but did not have to file Schedule D, you may be able to use Schedule D to figure your tax. See the **Tax Tip** under **Capital gain distributions** on page 10.

Form 8615. Beginning in 1987, Form 8615 must generally be used to figure the tax for any child who was under age 14 on December 31, 1987, and who had more than \$1,000 of investment income (such as taxable interest or dividends). However, if neither of the child's parents were alive on December 31, do not use Form 8615 to figure the child's tax.

Tax Table. If none of the above conditions applies to you, you **MUST** use the Tax Table to find your tax. Be sure you use the correct column in the Tax Table. After you have found the correct tax, enter that amount on line 37.

Line 38

Additional Taxes

Check the box(es) on line 38 to report any of the additional taxes listed below.

Form 4970, Tax on Accumulation Distribution of Trusts.

Form 4972, Tax on Lump-Sum Distributions.

Credits

Line 40

Credit for Child and Dependent Care Expenses

You may be able to take a credit on line 40 for payments you made for child and disabled dependent care while you (and your spouse if you were married) worked or looked for work.

The credit is allowed if you kept up a home that included a child under age 15 or your dependent or spouse who could not care for himself or herself. Use **Form 2441** to figure the amount of any credit.

Please see Form 2441 for more information, including special rules for divorced or separated parents and certain employment taxes that you may owe.

Line 41

Credit for the Elderly or for the Permanently and Totally Disabled

You may be able to take this credit and reduce your tax if, by the end of 1987, you were:

- age 65 or over, or
- under age 65, you retired on permanent and total disability, and you had taxable disability income in 1987.

For more information, see the separate instructions for **Schedule R**. Enter the credit on line 41.

If you want IRS to figure the credit for you, see **IRS Will Figure Your Tax and Some of Your Credits** on page 15.

Line 42

Add lines 40 and 41 and enter the total on line 42. Also include in the total on line 42 any of the following credits.

Carryforward of Residential Energy Credit

Generally, if you have an energy credit carryforward from a prior tax year, you may take a credit against your tax. Use **Form 5695**, Residential Energy Credit Carryforward, to figure the amount allowed as a credit for 1987. Include the amount of the credit in your total for line 42. On the dotted line next to this total, write "REC" (residential energy credit) and show the amount.

Mortgage Interest Credit. You may be able to take a credit for part of the interest you paid on your home mortgage if you were issued a mortgage credit certificate by a state or local government under a qualified mortgage credit certificate program to buy, rehabilitate, or make improvements to your principal residence. You must complete and attach **Form 8396**, Mortgage Interest Credit, to figure the amount of the credit to include in your total for line 42. On the dotted line next to this total, write "MIC" (mortgage interest credit) and show the amount.

Line 44

Foreign Tax Credit

Form 1116 explains when you can take this credit for payment of income tax to a foreign country. Also get **Publication 514**. Enter the credit from Form 1116 on line 44.

Line 45

General Business Credit

Check the box(es) on line 45 if you can take any of the five credits listed below. Use the appropriate credit form (as described below) to figure the credit. If you have only one credit, enter on line 45 the amount of the credit from the form.

If you have a credit carryforward or take two or more of these credits, you must also complete **Form 3800** to figure the total credit and enter on line 45 the amount from Form 3800. Also be sure to check the box on line 45 for Form 3800.

Form 3468, Computation of Investment Credit. This credit was generally repealed for property placed in service after 1985. For exceptions, see Form 3468.

Form 5884, Jobs Credit. If you are a business employer who hires people who are members of special targeted groups, you may qualify for this credit. Use Form 5884 to figure the credit. Get **Publication 572**, General Business Credit, for more details.

Form 6478, Credit for Alcohol Used as Fuel. If you sell straight alcohol (or an alcohol mixture) at retail or use it as fuel in your trade or business, you may be able to take a credit for the alcohol used as fuel. Use Form 6478 to figure the credit.

Form 6765, Credit for Increasing Research Activities. You may be able to take a credit for research and experimental expenditures paid or incurred in carrying on your trade or business. Use Form 6765 to figure the credit.

Form 8586, Low-Income Housing Credit. Beginning in 1987, if you owned a building that was part of a low-income housing project, you may be able to take this credit. Generally, this credit only applies to buildings placed in service after 1986. Use Form 8586 to figure the credit. Get **Publication 572**, General Business Credit, for more details.

Line 46

Add amounts on lines 44 and 45 and enter the total on line 46. Also include in the total on line 46 any Credit for Fuel From a Nonconventional Source.

Credit for Fuel From a Nonconventional Source. A credit is allowed for the sale of qualified fuels produced from a nonconventional source. See I.R. Code section 29 for a definition of qualified fuels, provisions for figuring the credit, and other special rules. Attach a separate schedule showing how you figured the credit. Include the credit in the total for line 46. On the dotted line next to this total, write "FNS" and show the amount.

Other Taxes

Line 48

Self-Employment Tax

If you had self-employment income in 1987, and earned under \$43,800 in wages from which social security tax or RRTA tax was withheld, you may have to pay self-employment tax. Please see **Schedule SE** (Form 1040) and instructions. If you have to pay self-employment tax, enter the amount from Schedule SE, line 14.

Line 49

Alternative Minimum Tax

You may be liable for the alternative minimum tax if your return includes any of the items listed below and your adjusted gross income added to those items totals more than:

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

1. Accelerated depreciation.
2. Amortization of certified pollution-control facilities.
3. Charitable contribution of appreciated capital gain property.
4. Incentive stock options.
5. Tax-exempt interest from private activity bonds or exempt-interest dividends from a regulated investment company.
6. Intangible drilling costs.
7. Depletion.
8. Reserves for losses on bad debts of financial institutions.
9. Circulation and research and experimental expenditures.
10. Mining exploration and development costs.
11. Installment sales of property.
12. Tax shelter farm loss.
13. Passive activity loss.
14. Income from long-term contracts.

Get **Form 6251** and its instructions to see if you owe this tax.

Line 50

Tax From Recapture of Investment Credit

You may owe this tax if you disposed of investment credit property before the end of its useful life or recovery period.

See **Form 4255** for details. Enter any tax from Form 4255 on this line.

Line 51

Social Security Tax on Tip Income Not Reported to Employer

If you received tips of \$20 or more in any month and you did not report the full amount to your employer, you must pay the social security or railroad retirement (RRTA) tax on the unreported tips. If you reported the full amount to your employer but your employer did not withhold the social security or RRTA tax, you must pay it unless the rules discussed under **Uncollected Employee Social Security and RRTA Tax on Tips** (line 53) apply.

To figure the amount of social security tax on the tips, complete **Form 4137** and attach it to your Form 1040. Enter the tax on this line.

To determine the amount of RRTA tax on the tips, contact your nearest Railroad Retirement Board office. On line 51, enter the tax and on the dotted line next to it, write "RRTA."

Be sure all your tips are reported as income on Form 1040, line 7.

You may be charged a penalty equal to 50% of the social security tax due on tips you received and did not report to your employer.

Line 52

Tax on IRAs and Retirement Plans

You may owe this tax if: (1) you received any early distributions from your IRA, qualified employer plan, qualified annuity plan or tax-sheltered annuity plan; (2) you received any excess distributions from a plan mentioned in (1); (3) you made excess contributions to your IRA; or (4) you had excess accumulations in your IRA account or annuity. Get **Form 5329** and its instructions to see if you owe this tax. If you do, complete and attach Form 5329 and enter the total tax on line 52.

Line 53

Total Tax

Add lines 47 through 52. Put the total on line 53. Also include on line 53 any of the following that apply.

Section 72 Penalty Tax. If you are or were a 5% owner of a business and you received an excessive distribution from a Keogh plan or trust, you may have to pay a penalty tax of 10% of the distribution. Get **Publication 560** for more details.

Include the amount of the penalty in your total for line 53. On the dotted line next to this total, write "Section 72 penalty" and show the amount.

Advance Earned Income Credit (EIC) Payments. If you received advance EIC payments (AEIC), the amount will be shown on your Form W-2. Include the amount of these payments in your total for line 53. On the dotted line next to this total, write "AEIC" and show the amount.

Note: The amount of earned income credit that you can actually take will be figured on the worksheet shown on page 19 and entered on line 56.

Uncollected Employee Social Security and RRTA Tax on Tips. If you did not have enough wages to cover the social security tax or railroad retirement (RRTA) tax due on tips you reported to your employer, the amount of tax due will be shown on your Form W-2. Include that amount in the total on line 53. On the dotted line next to this total, write "Uncollected Tax on Tips" and show the amount.

Golden Parachute Payments. Golden parachute payments are certain payments made by a corporation to key employees to compensate them if control of the corporation changes. If you received an excess parachute payment (EPP), you must pay a tax equal to 20% of this excess payment. Include the amount of this tax in your total for line 53. On the dotted line next to this total, write "EPP" and show the amount of the tax.

If you received a **Form W-2** that includes a parachute payment, the amount of tax withheld on any excess payment should be identified in Box 16 of Form W-2. Include the amount from Box 16 in the total for line 53.

If you received a **Form 1099-MISC** that includes a parachute payment, any excess payment will be separately identified on the form. Multiply the excess payment by 20% to figure the amount to include in the total for line 53.

Payments

Line 54

Total Federal Income Tax Withheld

Add the amounts shown as Federal income tax withheld on your **Forms W-2, W-2G, W-2P, and 1099-R**. Enter the total on line 54. The amount of Federal income tax withheld should be shown in Box 9 of Form W-2, Box 2 of Form W-2G, Box 11 of Form W-2P, and Box 4 of Form 1099-R.

If line 54 includes amounts withheld as shown on Form 1099-R, circle the words "Form(s) 1099" to the left of line 54.

Backup Withholding. If you were subject to backup withholding on dividends, interest income, or other income you received during 1987, include the amount withheld in the total on line 54. This should be shown in Box 4 on the 1099 forms. Circle the words "Form(s) 1099" next to this total.

Line 55

1987 Estimated Tax Payments

Enter on this line any payments you made on your estimated Federal income tax (**Form 1040-ES**) for 1987. Include any overpayment from your 1986 return that you applied to your 1987 estimated tax.

If you and your spouse paid joint estimated tax but are now filing separate income tax returns, either of you can claim all of the amount paid. Or you can each claim a part of it. Please be sure to show both social security numbers on the separate returns. If you or your spouse paid separate estimated tax, but you are now filing a joint income tax return, add the amounts you each paid.

Follow the above instructions even if your spouse died.

Divorced Taxpayers. If you were divorced during 1987 and you made joint estimated tax payments with your former spouse, please enter your former spouse's social security number in the block provided on the front of Form 1040. In the upper right corner of the return, above the social security numbers, write "DIV" (divorced).

If you were divorced and remarried in 1987, enter your present spouse's social security number in the block provided on the front of Form 1040. Also, enter your former spouse's social security number in the upper right corner above the blocks and write "DIV" above that number.

Name Change. If you changed your name because of marriage, divorce, etc., and you made estimated tax payments using your former name, attach a statement to the front of Form 1040 explaining all the payments you and your spouse made in 1987, the Service Center where you made the payments, and the name(s) and social security number(s) under which you made the payments.

Line 56

Earned Income Credit

The earned income credit helps many taxpayers who have a child and have earned incomes (see "Earned income includes" on this page) and adjusted gross incomes of less than \$15,432. If you can take the credit, you can subtract it from tax you owe or get a refund even if you had no tax withheld from your pay. The credit can be as much as \$851.

Note: If you received advance earned income credit payments from your employer(s), see the instructions for line 53 on this page for information on how to report these payments.

Who Can Take the Credit?

You may be able to take the credit if you meet **ALL 5** of the following conditions:

1. You received wages, salaries, tips, or other earned income (see "Earned income includes" on this page).
2. The amount on Form 1040, line 31, is less than \$15,432.
3. You have a child (see "Definition of Child" on page 19) who lived with you in the same principal residence in the U.S. for more than 6 months during 1987 (for all of 1987 if your filing status is qualifying widow(er) with dependent child).
4. You do not file **Form 2555**, Foreign Earned Income.
5. Your filing status is married filing joint return, qualifying widow(er) with dependent child, or head of household. In addition, special rules apply to each of these three filing statuses.

Married Filing Joint Return. Your child must be claimed as your dependent on Form 1040, line 6c. **Exception.** If your spouse is not your child's parent and the child's other parent (the noncustodial parent) claimed him or her as a dependent under the rules explained on page 8 for **Children of Divorced or Separated Parents**, you can take the credit if you meet all 5 of the conditions listed above. If you can take the credit because of this exception, you must enter the child's name on the dotted line to the left of line 56.

Qualifying Widow(er) With Dependent Child. Your child must be claimed as your dependent on Form 1040, line 6c.

Head of Household. If your child was **unmarried** for 1987, you must enter that child's name in the space provided on Form 1040, line 4 (or line 6c if you claimed that child as a dependent).

If your child was **married** for 1987, this child must be claimed as your dependent on Form 1040, line 6c. **Exception.** If this child's other parent claimed him or her as a dependent under the rules explained on page 8 for **Children of Divorced or Separated Parents**, you can take the credit if you meet all 5 of the conditions listed above. If you can take the credit because of this exception, you must enter the child's name on the dotted line to the left of line 56 unless you entered the child's name in the space provided on Form 1040, line 4.

If you meet all of the conditions listed above, use the worksheet on page 19 to figure the credit. Otherwise, do not fill in the worksheet. Instead, enter "NO" on Form 1040, line 56, and go on to line 57.

If you want IRS to figure the credit for you, see **IRS Will Figure Your Tax and Some of Your Credits** on page 15.

You may be able to receive advance payments of the credit by filing **Form W-5** with your employer.

For more details about the credit, get **Publication 596**, Earned Income Credit.

Earned income includes:

- Wages, salaries, and tips.
- Earnings from self-employment—this is usually the amount shown on Schedule SE (Form 1040), line 9.

Earned Income Credit Worksheet (Keep for your records)

To figure your credit, follow the instructions below. If you checked Filing Status box 1 or 3, you cannot take the credit. Do not complete this worksheet.

1. Enter the amount from Form 1040, line 7, plus any other compensation from your employer, regardless of whether it is taxable. Note: If you received nontaxable compensation from your employer, enter "NEI" on the dotted line to the left of line 56 even if you cannot take the credit.	\$ _____
2. If you were self-employed, enter the amount, even if a loss, from Schedule SE, line 9. However, if you use the optional method to figure your self-employment tax, see Publication 596 for more information before entering an amount on line 2. If you have self-employment income that you reported on line 1 above, do not include it here.	\$ _____
3. Earned income. Add lines 1 and 2. However, if line 2 is a loss, subtract line 2 from line 1. If line 3 is zero or less, stop here; you cannot take the credit. If line 3 is more than zero, go on to line 4.	\$ _____
4. Adjusted gross income. Enter the amount from Form 1040, line 31. If the amount on line 4 is \$15,432 or more, stop here; you cannot take the credit. Otherwise, go on to line 5 or line 6, whichever applies.	\$ _____
5. If line 4 above is less than \$6,925 , use the amount from line 3 above to find your credit in the table that begins on page 48. Enter the credit here and on Form 1040, line 56.	\$ _____
6. If line 4 above is \$6,925 or more:	
a. Find the amount from line 3 above in the table that begins on page 48 and enter the credit for that amount here.	\$ _____
b. Find the amount from line 4 above in the table and enter the credit for that amount here.	\$ _____
c. Enter the amount from line 6a or 6b, whichever is smaller, here and on Form 1040, line 56.	\$ _____

• Anything else of value (money, goods, or services) you get from your employer for services you performed regardless of whether it is taxable.

Note: The following are examples of amounts received from your employer that must be included on line 1 of the worksheet—

- a. Housing allowance (or rental value of a parsonage) for members of the clergy.
- b. Meals and lodging.

Earned income does not include items such as interest, dividends, social security payments, welfare benefits, veterans' benefits, workers' compensation, unemployment compensation (insurance), or income exempt from self-employment tax as a result of the filing and approval of **Form 4029** (relating to members of certain religious faiths).

Definition of Child. In general, for purposes of this credit, your **child** includes:

- Your son or daughter.
- Your stepchild or adopted child.

If your filing status is **married filing a joint return** or **qualifying widow(er) with dependent child**, your child also includes a child placed with you by an authorized placement agency for adoption by you, or a foster child (any other child, such as your grandchild, whom you cared for as your own child for the whole year).

If your filing status is **head of household**, your child also includes a descendant of your son, daughter, or adopted child.

If your child was born, or died, in 1987 and your home was your child's home during the part of 1987 that he or she was alive, your child is considered to have lived with you for more than 6 months or, if applicable, for all of 1987.

Note: The earned income credit must be reduced by the alternative minimum tax

(Form 1040, line 49). If you owe this tax, subtract it from the amount on line 5 or line 6c of the worksheet above, whichever applies, and enter the result (but not less than zero) on Form 1040, line 56.

Line 57 Amount Paid With Form 4868 (Extension of Time To File)

If you filed **Form 4868** to get an extension of time to file Form 1040, enter the amount you paid with that form. Also include any amounts paid with **Forms 2688** or **2350**.

Line 58 Excess Social Security Tax and RRTA Tax Withheld—Two or More Employers

If you had two or more employers in 1987 who together paid you more than \$43,800 in wages, too much social security tax and railroad retirement (RRTA) tax may have been withheld from your wages. If so, you may be able to take a credit against your income tax.

If you are filing a joint return, you must figure the credit separately for yourself and your spouse. Complete the following worksheet to see if you can take the credit.

If you worked for two or more railroad employers, or if you had both RRTA tax and social security tax withheld from your wages, get **Publication 505**, Tax Withholding and Estimated Tax, for information on how to figure your excess RRTA or social security tax. **Do not** use the following worksheet.

Caution: If you were a Federal, state, or local government employee who paid **only** the 1.45% medicare (hospital insurance benefits) tax on your government wages, **do not** include on line 1 of the following worksheet the medicare tax withheld from your government wages. See the instructions for line 60 to see if you can take a credit for excess medicare tax paid.

Worksheet (Keep for your records)

1. Add all social security tax withheld (but not more than \$3,131.70 for each employer). * Enter the total here	_____
2. Enter any uncollected social security tax on tips included in the total on Form 1040, line 51	_____
3. Add lines 1 and 2	_____
4. Less	-3,131.70
5. Subtract line 4 from line 3. Enter this amount on line 58	_____

* **Note:** If any one employer withheld more than \$3,131.70, you should ask the employer to refund the excess to you. You cannot take credit for it on your return.

Line 59 Credit for Federal Tax on Gasoline and Special Fuels

If you can take a credit for tax on gasoline and special fuels used in your business (including qualified taxicabs), or for certain diesel-powered cars, vans, and light trucks, please attach **Form 4136**. Enter the credit on line 59.

Line 60 Regulated Investment Company Credit

Enter on this line the total amount of the credit from **Form 2439**. Be sure to attach Copy B of Form 2439. Also include on line 60 any Excess Medicare Tax Credit.

Excess Medicare Tax Credit. If you were a Federal, state, or local government employee whose wages in 1987 were subject **only** to the 1.45% medicare (hospital insurance benefits) tax and you had other social security or RRTA wages that when added to your government wages total more than \$43,800, too much medicare tax may have been withheld. If so, you may take a credit against your income tax. Use **Form 4469**, Computation of Excess Medicare Tax Credit, to figure the credit. Include the amount of the credit in your total for line 60. On the dotted line next to this total, write "Form 4469" and show the amount.

Line 61 Total Payments

Add lines 54 through 60 and enter the total on line 61. Also include on line 61 any Overpaid Windfall Profit Tax.

Overpaid Windfall Profit Tax. You may be allowed a credit for overpaid windfall profit tax (OWPT). Use **Form 6249** to figure the overpayment. Include this amount in your total for line 61. Attach Forms 6249 and 6248 to Form 1040. On the dotted line next to this total, write "OWPT" and show the amount.

Refund or Amount You Owe Line 62

Amount Overpaid (If line 61 is larger than line 53)

Subtract line 53 from line 61. You can choose to have all, or part, of this amount refunded to you (line 63). The remainder, if any, can be applied to your estimated tax for 1988 (line 64). If line 62 is under \$1, we will send a refund only on written request.

Income Tax Withholding for 1988. If the amount you overpaid is large, get a copy of **Form W-4, Employee's Withholding Allowance Certificate**, from your employer to see if you are entitled to additional allowances. If you are, file a new **Form W-4** with your employer to change the amount of income tax to be withheld from your wages.

If you go back to work after a period of unemployment, you may reduce the amount of income tax withheld if your employer agrees to use the part-year method of withholding. There are also other methods that could reduce your withholding.

For more details, see your employer or get **Publication 505, Tax Withholding and Estimated Tax**.

Line 64

Applied to 1988 Estimated Tax

Subtract line 63 from line 62. This is the amount that will be applied to your estimated tax for 1988. Enter this amount on line 64.

We will apply amounts to your account unless you request us to apply it to your spouse's account. The request should include your spouse's social security number.

Line 65

Amount You Owe (If line 53 is larger than line 61)

Subtract line 61 from line 53 and enter the result. This is the amount you owe.

Attach your check or money order for the full amount when you file. **Do not** include any estimated tax payment in your check or money order. If line 65 is under \$1, you do not have to pay.

Income Tax Withholding for 1988. If you do owe tax for 1987, you may want to increase the amount of income tax withheld from your pay for 1988. To do this, file **Form W-4, Employee's Withholding Allowance Certificate**, with your employer. Otherwise, you may have to make estimated tax payments for 1988. See **Should You Make Estimated Tax Payments for 1988?** on this page.

For more details, get **Publication 505, Tax Withholding and Estimated Tax**.

Underpayment of Estimated Tax

If line 65 is \$500 or more and more than 10% of the tax shown on your return, or you underpaid your 1987 estimated tax liability for any payment period, you may owe a penalty. **Form 2210 (Form 2210F** for farmers and fishermen) is used to see if you owe a penalty and to figure the amount of the penalty. You may figure the penalty yourself by completing and attaching that form to **Form 1040**, or IRS will figure the penalty for you and send you a bill. But if you use the annualized income installment method to figure your required payments, you must complete and attach **Form 2210** to **Form 1040** even if you do not owe the penalty.

Note: The penalty may be waived under certain conditions. Get **Publication 505, Tax Withholding and Estimated Tax**, for details.

If you underpaid your 1987 income tax, you will **not** owe a penalty or have to complete **Form 2210** (or **Form 2210F**), if:

1. you had no tax liability for 1986,
2. you were a U.S. citizen or resident for all of 1986, and
3. your 1986 tax return was for a tax year of 12 full months.

If you attach **Form 2210** or **2210F**, be sure to check the box below line 65 and enter the amount of any penalty you owe in the space provided. If you owe tax, add the penalty amount to the tax due and show the total on line 65. Or, if you are due a refund, subtract the penalty amount from the overpayment you show on line 62.

Should You Make Estimated Tax Payments for 1988?

In general, you do not have to make estimated tax payments if you expect that your 1988 **Form 1040** will show a tax refund, or a tax balance due IRS of less than \$500. If your total estimated tax (including any alternative minimum tax) is \$500 or more, please get **Form 1040-ES**. It contains a worksheet that you can use to see if you have to make estimated tax payments.

Sign Your Return

Form 1040 is not considered a return unless you sign it. Your spouse must also sign if it is a joint return. Be sure to date your return and show your occupation in the space provided. If you are filing a joint return with your deceased spouse, see **Death of Taxpayer** on page 21.

Dependent Child's Return. If your dependent child cannot sign his or her return because of age or other reasons, you may sign your child's name in the space provided followed by the words "By (your signature), parent (or guardian) for minor child."

Did You Have Someone Else Prepare Your Return? If you fill in your own return, the Paid Preparer's space should remain blank. Someone who prepares your return but **does not charge you, should not sign.**

Generally, anyone who is paid to prepare your tax return must sign your return and fill in the other blanks in the Paid Preparer's Use Only area of your return.

If you have questions about whether a preparer is required to sign your return, please contact an IRS office.

The preparer required to sign your return MUST:

- Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)
- Give you a copy of your return in addition to the copy to be filed with IRS.

Tax return preparers should be familiar with their responsibilities. They should get **Publication 1045, Information for Tax Practitioners**, for more details.

Section 4

General Information

This section contains general information about items such as amending your tax return and how long to keep tax records.

Penalties and Interest

Interest. We will charge you interest on taxes not paid by their due date, even if an extension of time to file is granted. We will also charge you interest on penalties imposed for failure to file, gross valuation overstatements, and substantial understatements of tax. Interest is charged on the penalty as of the due date of the return (including extensions) to the date of payment.

Late Filing of Return. You can avoid penalties for late filing by sending in your return by the due date. The law provides a penalty of 5% of the tax due for each month, or part of a month, the return is late (maximum 25%) unless you can show reasonable cause for the delay. If you file a return late, attach a full explanation to your return. If your return is more than 60 days late, the penalty will not be less than \$100 or 100% of the balance of tax due on your return, whichever is less.

Late Payment of Tax. Generally, the penalty for not paying tax when due is $\frac{1}{2}$ of 1% of the unpaid amount for each month or part of a month it remains unpaid. The maximum penalty is 25%. The penalty applies to any unpaid tax shown on the return. It also applies to any additional tax shown on a bill that is not paid within 10 days after the date of the bill. This penalty is in addition to interest charges on late payments.

Note: If you include interest or either of these penalties with your payment, identify and enter these amounts in the bottom margin of **Form 1040**, page 2. Do not include the interest or penalty amounts in **Amount You Owe** on line 65.

Penalty for Frivolous Return. In addition to any other penalties, the law imposes a penalty of \$500 for filing a frivolous return. A frivolous return is one which does not contain information needed to figure the correct tax or shows a substantially incorrect tax, because you take a frivolous position or desire to delay or interfere with the tax laws. This includes any alteration or striking out of the preprinted language above the space provided for your signature.

Other Penalties. There are also other penalties that can be imposed for negligence, substantial understatement of tax, and fraud. Get **Publication 17** for details on some of these penalties.

Address Change

If you move after you file your return and you are expecting a refund, you should notify the post office serving your old address. Also notify the IRS Service Center where you filed your return of your address change. This will help to forward your check to your new address as soon as possible.

Corresponding With IRS

Be sure to include your social security number in any correspondence with IRS.

How Long Should Records Be Kept?

Keep records of income, deductions, and credits shown on your return, as well as any worksheets used to figure them, until the statute of limitations runs out for that return. Usually this is 3 years from the date

the return was due or filed, or 2 years from the date the tax was paid, whichever is later. Also keep copies of your filed tax returns as part of your records. You should keep some records longer. For example, keep property records (including those on your own home) as long as they are needed to figure the basis of the original or replacement property. For more details, get **Publication 552**.

Requesting a Copy of Your Tax Return. If you need a copy of your tax return, use **Form 4506**, Request for Copy of Tax Form. The charge for a copy of a return is \$4.25. If you need tax account information, contact your local IRS office. If you want a printed copy of your account, it will be mailed to you free of charge.

Substitute Tax Forms

You may not use your own version of a tax form unless it meets the requirements contained in **Publication 1167** for acceptable privately designed and printed substitute tax forms. You can get **Publication 1167** by writing to:

Forms Distribution Center
P.O. Box 25866
Richmond, VA 23260.

Amended Return

If you file your income tax return and later become aware of any changes you must make to income, deductions, or credits, file **Form 1040X**, Amended U.S. Individual Income Tax Return, to change the Form 1040, 1040A, or 1040EZ you already filed.

Note: If your Federal return is changed for any reason, it may affect your state income tax liability. This would include changes made as a result of an examination of your return by the IRS. Contact your state tax agency for more information.

Free Tax Help

Videotape. A videotape of tax return instructions is available in either English or Spanish at participating libraries.

Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE). Help is available in most communities to older, handicapped, and non-English speaking individuals in preparing Form 1040EZ, Form 1040A, and the basic Form 1040. Call the toll-free telephone number for your area for the location of the volunteer assistance site near you.

Small Business Workshops. Workshops are offered for self-employed or small business owners who want to learn about the tax aspects of running their businesses. For details, call the IRS at the number listed in your telephone directory under U.S. Government and ask for the Taxpayer Education Coordinator.

Death of Taxpayer

If the taxpayer died before filing a return for 1987, the taxpayer's spouse or personal representative must file and sign a return for the person who died if the deceased was required to file a return. A personal representative can be an executor, administrator, or anyone who is in charge of the taxpayer's property.

The person who files the return should write "deceased" after the deceased's name and show the date of death in the

name and address space at the top of the return. Also write "**DECEASED**" across the top of the tax return.

If the taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

If your spouse died in 1987 and you did not remarry in 1987, you can file a joint return. You can also file a joint return if your spouse died in 1988 before filing a 1987 return. A joint return should show your spouse's 1987 income before death and your income for all of 1987. Also write "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign.

If you are claiming a refund as a surviving spouse filing a joint return with the deceased and you follow the above instructions, no other form is needed to have the refund issued to you. However, all other filers requesting a refund due the deceased must file **Form 1310**, Statement of Person Claiming Refund Due a Deceased Taxpayer, to claim the refund.

For more details, see **Tele-Tax Information** in the index (topic no. 165) or get **Publication 559**, Tax Information for Survivors, Executors, and Administrators.

Section 5

Instructions for Schedules to Form 1040

Instructions for Schedule A Itemized Deductions

Purpose of Schedule

Some taxpayers should itemize their deductions because they will save money. See **Should You Itemize?** on page 15.

If you itemize, you can deduct part of your medical and dental expenses and unreimbursed employee business expenses and amounts you paid for certain taxes, interest, contributions, and certain miscellaneous expenses. You may also deduct certain casualty and theft losses. Beginning in 1987, moving expenses are also deducted on Schedule A. These deductions are explained below.

Lines 1a through 4

Medical and Dental Expenses

Before you can figure your total deduction for medical and dental expenses, you must complete Form 1040 through line 31.

Beginning in 1987, you may deduct only that part of your medical and dental expenses that is more than 7.5% of the amount on Form 1040, line 31.

Include all amounts you paid during 1987 (including amounts you paid for hospital, medical, and extra medicare (Medicare B) insurance), but **do not** include amounts repaid to you, or paid to anyone

else, by hospital, health or accident insurance, or your employer. Get **Publication 502** for details on insurance reimbursements. If you received a reimbursement of prior-year medical or dental expenses in 1987, see the instructions for Form 1040, line 21. **Do not** reduce your 1987 expenses by this amount. **Caution:** If you were self-employed, **do not** include the amount of health insurance you deducted on Form 1040, line 25, if any.

When you figure your deduction, you may include medical and dental bills you paid for:

- Yourself.
- Your spouse.
- All dependents you claim on your return.
- Your child whom you do not claim as a dependent because of the rules explained on page 8 for **Children of Divorced or Separated Parents**.
- Any person that you could have claimed as a dependent on your return if that person had not received \$1,900 or more of gross income or had not filed a joint return.

Example. You provided more than half of your mother's support but may not claim her as a dependent because she received \$1,900 of wages during 1987. If part of your support was the payment of her medical bills, you may include that part in your medical expenses.

Note: On line 1c, list the medical expense and the amount of the expense. Enter one total in the total amount column on line 1c.

Examples of Medical and Dental Payments You MAY Deduct

To the extent you were not reimbursed, you may deduct what you paid for:

- Prescription medicines and drugs, or insulin.
- Medical doctors, dentists, eye doctors, chiropractors, osteopaths, podiatrists, psychiatrists, psychologists, physical therapists, acupuncturists, and psychoanalysts (medical care only).
- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths your doctor ordered.
- Nursing help. If you pay someone to do both nursing and housework, you may deduct only the cost of the nursing help.
- Hospital care (including meals and lodging), clinic costs, and lab fees.
- Medical treatment at a center for drug addicts or alcoholics.
- Medical aids such as hearing aid batteries, contact lenses, braces, crutches, wheelchairs, guide dogs and the cost of maintaining them.
- Lodging expenses (but not meals) paid while away from home to receive medical care in a hospital or a medical care facility that is related to a hospital. Do not include more than \$50 a night for each eligible person.
- Ambulance service and other travel costs to get medical care. If you used your own car, you may claim what you spent for gas and oil to go to and from the place you received the care; or you may claim 9 cents a mile. Add parking and tolls to the amount you claim under either method.

Examples of Medical and Dental Payments You MAY NOT Deduct

- The basic cost of medicare insurance (Medicare A).

Note: If you are 65 or over and not entitled to social security benefits, you may deduct premiums you voluntarily paid for Medicare A coverage.

- Life insurance or income protection policies.
- The 1.45% medicare (hospital insurance benefits) tax withheld from your pay as part of the social security tax or the medicare tax paid as part of social security self-employment tax.
- Nursing care for a healthy baby. (You may qualify for the child and dependent care credit; get **Form 2441**.)
- Illegal operations or drugs.
- Nonprescription medicines or drugs.
- Travel your doctor told you to take for rest or change.
- Funeral, burial, or cremation costs.

Publication 502 has a discussion of expenses that may and may not be deducted. It also explains when you may deduct capital expenditures and special care for handicapped persons.

Lines 5 through 8

Taxes You Paid

Taxes You MAY Deduct

Line 5—State and local income taxes.

Include on this line state and local income taxes that were withheld from your salary and any estimated payments made in 1987, including payments for a prior year. **Do not** reduce your deduction by either of the following:

- any state and local income tax refund (or credit) you expect to receive for 1987, or
- any refund of (or credit for) prior-year state and local income taxes you actually received in 1987 (see the instructions for **Form 1040**, line 11).

Line 6—Real estate taxes. Include taxes that you paid on property you own that was not used for business. **Publication 530** explains the deductions homeowners may take.

If your mortgage payments include your real estate taxes, do not take a deduction for those taxes until the year the mortgage company actually pays them to the taxing authority.

Line 7—Personal property taxes and other taxes. If you had any deductible tax not listed on Schedule A, lines 5 or 6 (such as personal property or foreign income tax), list the tax and the amount of tax. Enter one total in the total amount column on line 7.

Personal property tax must be based on value alone. For example, if part of the fee you paid for the registration of your car was based on the car's value and part was based on its weight, you may deduct only the part based on value.

If you paid tax to a foreign country or U.S. possession, you may want to take it as a credit instead of a deduction. Please get **Publication 514**.

Taxes You MAY NOT Deduct

- Federal income and excise taxes.
- Social security and railroad retirement (RRTA) taxes.
- Customs duties.
- Federal estate and gift taxes. (However, see **Other Miscellaneous Deductions** on page 24.)
- Certain state and local taxes, including: general sales tax, tax on gasoline, car inspection fees, assessments for sidewalks or other improvements to your property, tax you paid for someone else, and license fees (marriage, driver's, dog, etc.).

Lines 9a through 13

Interest You Paid

Include interest you paid on nonbusiness items only. Beginning in 1987, whether your interest expense is treated as investment or personal interest depends on how and, if the proceeds were received in cash, when you used the loan proceeds. Get **Publication 545**, Interest Expense.

In general, if you paid interest in 1987 that includes amounts that apply to any period after 1987, you may deduct only the amount that applies for 1987.

Note: If, at the end of 1987, you have a loan in existence whose term is in excess of 5 years and the loan agreement in any way refers to the "Rule of 78's," see **Publication 545**.

Interest You MAY Deduct

Lines 9a and 9b—Home mortgage interest. If all of your mortgage debt on your principal home was borrowed **before** August 17, 1986 (and you have not borrowed any new amounts on that debt); **OR**, at all times in 1987, the total of your mortgage debts was less than or equal to what you paid for the home plus improvements (such as adding a room), the mortgage interest you paid is fully deductible on line 9a or 9b, whichever applies. Include the cost of improvements made to your home from the date you bought it through the end of 1987.

But, you may not be able to deduct all the interest you paid on that home, and you will have to file **Form 8598**, Home Mortgage Interest, if:

- You took out a new mortgage on that home **after** August 16, 1986, or borrowed any additional amounts on an existing mortgage on that home **after** August 16, 1986; **AND**
- At any time in 1987, the total of all your mortgage debts on that home was more than what you paid for it plus improvements.

Note: Special rules apply if you inherited your home or got it as a gift or if you paid mortgage interest on a residence other than your principal home. See the instructions for **Form 8598** and **Publication 545**.

If you paid \$600 or more of mortgage interest, the recipient of this interest will generally send you a **Form 1098**, Mortgage Interest Statement, or similar statement, by February 1, 1988, showing the total interest received during 1987. However, any "points" you paid will not be shown on this statement.

Note: If the recipient was not a financial institution and you did not receive a **Form**

1098 from the recipient, report your deductible mortgage interest on line 9b.

Line 9a. Enter the deductible mortgage interest you paid directly, or indirectly, to financial institutions. If you and at least one other person (other than your spouse if you file a joint return) were liable for, and paid interest on, the mortgage, and the other person received the **Form 1098**, attach a statement to your return showing the name and address of the person who received the form. Next to line 9a, write "see attached."

If you paid more mortgage interest than is shown on **Form 1098**, get **Publication 545** to see if you can deduct the additional interest. If you can, attach a statement to your return explaining the difference and write "see attached" next to line 9a.

Note: If you are claiming the Mortgage Interest Credit (see instructions for **Form 1040**, line 42), subtract the amount shown on line 3 of **Form 8396** from the total deductible interest you paid on your home mortgage and enter the result on line 9a.

Line 10—Points. Points (including loan origination fees) charged **only** for the use of money and paid with funds other than those obtained from the lender are deductible over the life of your mortgage. **Exception.** Points may be deducted in the year paid if the loan was used to **buy or improve your principal home**, the loan was secured by that home, in the area where the loan was made it is customary to charge points, and the points you paid did not exceed the number of points usually charged in that area. This exception generally does not apply to points paid to refinance your mortgage. For more details, get **Publication 545**.

Line 11—Investment interest.

Investment interest is interest paid on money you borrowed that is allocable to property held for investment. It does not include any interest taken into account on **Form 8582** in figuring your income or loss from a passive activity.

Generally, for 1987, your investment interest deduction is limited to your net investment income. However, if your investment interest is more than your net investment income, you may be able to deduct up to 65% of the excess.

Complete and attach **Form 4952**, Investment Interest Expense Deduction, to figure your deduction. **Exception.** If your only investment income was from interest or dividends, you do not have any other deductible expenses directly connected with the production of that income, and your investment interest does not exceed the total of that income, you do not have to complete **Form 4952**. Instead, enter the investment interest you paid on line 11.

For more details, get **Publication 550**, Investment Income and Expenses.

Lines 12a and 12b—Personal interest.

For 1987, only 65% of personal interest (such as interest paid on car loans and credit cards) is deductible. Include on line 12a interest you paid on:

- Bank and other general purpose credit cards. Deduct the finance charge paid as interest if no part of it was for service charges, membership fees, loan fees, credit investigation fees, etc.

- Revolving charge accounts. Deduct any finance charge a retail store added if the charges were based on your monthly unpaid balance.
 - Your personal note for money you borrowed from a bank, a credit union, or another person.
 - Loans on life insurance if you paid the interest in cash and you report on the cash basis.
 - Installment loans on personal property, such as cars and appliances.
 - Taxes you paid late. Show only the interest; do not include any amount that is considered a penalty. If the tax is deductible, show it under **Taxes You Paid** (lines 5 through 8 of this schedule).
- Note:** Special rules apply to interest expense imputed on below-market loans. Get **Publication 545**.

Interest You MAY NOT Deduct

Do not include interest paid on your debts by others, such as mortgage interest subsidy payments made by a government agency. Also do not include the interest you paid for—

- Certain loans against your interest in a 401(k) plan or a tax-sheltered annuity plan that were made, renewed, renegotiated, modified, or extended after 1986. (Get **Publication 575**, Pension and Annuity Income, for details.)
- Tax-exempt income. This includes interest on money you borrowed to buy or carry wholly tax-exempt securities. This also includes interest paid to purchase or carry obligations or shares, or to make deposits or other investments, to the extent any interest income received from the investment is tax exempt.
- A loan on life insurance if the interest is added to the loan and you report on the cash basis.
- A debt to buy a single-premium life insurance or endowment contract.
- Any kind of business transaction. (Use Schedules C, E, or F of Form 1040 to deduct business interest expenses.)

Get Publication 545 for more details.

Lines 14a through 17 Contributions You Made

You may deduct what you actually gave to organizations that are religious, charitable, educational, scientific, or literary in purpose. You may also deduct what you gave to organizations that work to prevent cruelty to children or animals.

Examples of these organizations are:

- Churches, temples, synagogues, Salvation Army, Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts, Girl Scouts, Boys Club of America, etc.
- Fraternal orders, if the gifts will be used for the purposes listed above.
- Veterans' and certain cultural groups.
- Nonprofit schools, hospitals, and organizations whose purpose is to find a cure for, or help people who have, arthritis, asthma, birth defects, cancer, cerebral palsy, cystic fibrosis, diabetes, heart disease, hemophilia, mental illness or retardation, multiple sclerosis, muscular dystrophy, tuberculosis, etc.
- Federal, state, and local governments if the gifts are solely for public purposes.

If you contributed to a charitable organization and also received a benefit from it, you may deduct only the amount that is more than the value of the benefit you received.

If you do not know whether you may deduct what you gave to an organization, check with that organization or with IRS.

Contributions You MAY Deduct

Contributions may be in cash (keep cancelled checks, receipts, or other reliable written records showing the name of the organization and the date and amount given), property, or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described above. If you drove to and from the volunteer work, you may take 12 cents a mile or the actual cost of gas and oil. Add parking and tolls to the amount you claim under either method. (But don't deduct any amounts that were repaid to you.)

Limit on the amount you may deduct. Get **Publication 526**, Charitable Contributions, to figure the amount of your deduction if any of the following applies:

- your deductible charitable travel expenses include meals,
- your cash contributions or contributions of ordinary income property are more than 30% of Form 1040, line 31,
- your gifts of capital gain property to certain organizations are more than 20% of Form 1040, line 31, or
- you gave gifts of property that increased in value or gave gifts of the use of property.

You MAY NOT Deduct As Contributions

- Beginning in 1987, travel expenses (including meals and lodging) while away from home unless there was no significant element of personal pleasure, recreation, or vacation in the travel.
- Political contributions.
- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.
- Cost of raffle, bingo, or lottery tickets.
- Cost of tuition.
- The value of your time or services.
- Value of blood given to a blood bank.
- The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).
- Gifts to:
 - a. Individuals.
 - b. Foreign organizations.
 - c. Groups that are run for personal profit.
 - d. Groups whose purpose is to lobby for changes in the laws.
 - e. Civic leagues, social and sports clubs, labor unions, and chambers of commerce.

Recordkeeping. If you gave property, you should keep a receipt or written statement from the organization you gave the property to, or a reliable written record, that shows the organization's name and address, the date and location of the gift, and a description of the property. You should also keep reliable written records for each gift of property that include the following information:

- a. How you figured the property's value at the time you gave it. (If the value was determined by an appraisal, you should also keep a signed copy of the appraisal.)
- b. The cost or other basis of the property if you must reduce it by any ordinary income

or capital gain that would have resulted if the property had been sold at its fair market value.

c. How you figured your deduction if you chose to reduce your deduction for gifts of capital gain property.

d. Any conditions attached to the gift.

Note: If your total deduction for gifts of property is over \$500, or if you gave less than your entire interest in the property, or you made a "qualified conservation contribution" under section 170(h), your records should contain additional information. Get **Publication 526** for details.

Line 14a. Enter your total cash contributions (including out-of-pocket expenses) **except** those that total \$3,000 or more to any one organization.

Line 14b. Enter cash contributions totaling \$3,000 or more to any one organization. Show to whom and how much you gave in the space provided.

Line 15. Enter your contributions of property. If you gave used items, such as clothing or furniture, deduct their fair market value at the time you gave them. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale. If your total deduction for gifts of property is more than \$500, you must complete and attach **Form 8283**, Noncash Charitable Contributions. If your total deduction is over \$5,000, you may also have to get appraisals of the values of the donated property. See Form 8283 and its instructions for details.

Line 18

Casualty and Theft Losses

Use line 18 to report casualty or theft losses of property that is not trade or business, income-producing, or rent or royalty property. Complete and attach **Form 4684**, Casualties and Thefts, to figure your loss. Enter on line 18 of Schedule A the amount of loss from Form 4684.

Losses You MAY Deduct

You may be able to deduct all or part of each loss caused by theft, vandalism, fire, storm, and car, boat, and other accidents or similar causes. You may also be able to deduct money you had in a financial institution but lost because of the insolvency or bankruptcy of the institution.

You may deduct nonbusiness casualty or theft losses only to the extent that—

- a. the amount of **EACH** separate casualty or theft loss is more than \$100, and
- b. the total amount of **ALL** losses during the year is more than 10% of your adjusted gross income on Form 1040, line 31.

Special rules apply if you had both gains and losses from nonbusiness casualties or thefts. Get Form 4684 for details.

Losses You MAY NOT Deduct

- Money or property misplaced or lost.
- Breakage of china, glassware, furniture, and similar items under normal conditions.
- Progressive damage to property (buildings, clothes, trees, etc.) caused by termites, moths, other insects, or disease.

Use line 21 of Schedule A to deduct the costs of proving that you had a property loss. (Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.)

For more details, get **Publication 547**. It also gives information about Federal disaster area losses.

Line 19

Moving Expenses

Beginning in 1987, moving expenses are allowed only as an itemized deduction. Employees and self-employed persons (including partners) can deduct certain moving expenses.

You can take this deduction if you moved in connection with your job or business and your change in job location has added at least 35 miles to the distance from your old residence to your workplace. If you had no former workplace, your new workplace must be at least 35 miles from your old residence. If you meet these requirements, see **Tele-Tax Information** in the index (topic no. 304) or **Publication 521**, Moving Expenses. Complete and attach **Form 3903** to figure the amount of moving expenses to enter on line 19. If you began work at a new workplace outside the United States or its possessions, get **Form 3903F**, Foreign Moving Expenses.

Lines 20 through 25

Miscellaneous Deductions

Expenses You MAY Deduct

Beginning in 1987, unreimbursed employee business expenses, expenses of producing income, and most other miscellaneous expenses are deductible only to the extent the total amount of such expenses exceeds 2% of the amount on Form 1040, line 31. (However, handicapped employees should also see line 25 instructions.) Generally, any other limit that applies to these expenses is taken into account before the 2% AGI limit. For more details, get **Publication 529**, Miscellaneous Deductions.

Expenses Subject to 2% AGI Limit

Line 20. Use this line to report your expenses attributable to your job that were not reimbursed by your employer or a third party.

Examples of expenses to include on line 20 are:

- Union dues.
- Safety equipment, small tools, and supplies you needed for your job.
- Uniforms your employer said you must have, and which you may not usually wear away from work.
- Protective clothing, required in your work, such as hard hats and safety shoes and glasses.
- Physical examinations your employer said you must have.
- Dues to professional organizations and chambers of commerce.
- Subscriptions to professional journals.
- Fees to employment agencies and other costs to look for a new job in your present occupation, even if you do not get a new job.
- Business use of part of your home but only if you use that part exclusively and on a regular basis in your work and for the convenience of your employer. Beginning in 1987, new limits apply to the amount of

expenses you may include. For details, see **Tele-Tax Information** in the index (topic no. 309) or **Publication 587**, Business Use of Your Home.

- Educational expenses you paid for education required by your employer, or by law or regulations, to keep your present salary or job. In general, you may also include the cost of maintaining or improving skills you must have in your present position. For more details, see **Tele-Tax Information** in the index (topic no. 313) or **Publication 508**, Educational Expenses. Some educational expenses are not deductible (see **Expenses You MAY NOT Deduct**).

Beginning in 1987, you must complete and attach **Form 2106**, Employee Business Expenses, to figure the amount to enter on line 20. However, if none of your expenses were reimbursed by your employer or a third party and you are **NOT** claiming any meal, entertainment, travel, or transportation expenses, you do not have to complete Form 2106. Report your expenses on line 21 instead.

Line 21. Use this line to report amounts you paid to produce or collect taxable income, manage or protect property held for producing income, or determine your tax. List the type and amount of each expense. Enter one total in the total amount column on line 21. If necessary, show the required information on an attached statement.

Examples of these expenses are:

- Tax return preparation fee.
- Safe deposit box rental.
- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (e.g., trust account) fees.
- Your share of the investment expenses of a regulated investment company.

Other Miscellaneous Deductions

Line 25. Only certain miscellaneous expenses are **not** subject to the 2% AGI limit. Some of these expenses are:

- Gambling losses, but not more than the gambling winnings you reported on Form 1040, line 21.
- Federal estate tax attributable to income in respect of a decedent that is ordinary income.
- Beginning in 1987, if you had a physical or mental disability or impairment, certain unreimbursed expenses you paid that were necessary for you to be able to work. (For details, get **Publication 907**, Tax Information for Handicapped and Disabled Individuals.)

For more information on these and other expenses not subject to the 2% AGI limit, get **Publication 529**.

List the type and amount of each expense. Enter one total in the total amount column on line 25.

Expenses You MAY NOT Deduct

- Political contributions.
- Personal legal expenses.
- Lost or misplaced cash or property (but see casualty and theft losses).
- Expenses for meals during regular or extra work hours.
- The cost of entertaining friends.
- Expenses of going to or from work.
- Education that you need to meet minimum requirements for your job or that will qualify you for a new occupation.

- Beginning in 1987, expenses of:
 - a. Travel as a form of education.
 - b. Attending a convention, seminar, or similar meeting unless it is related to your employment.
 - c. Adopting a child, including a child with special needs.
- Fines and penalties.
- Expenses of producing tax-exempt income.

Instructions for Schedule B

Interest and Dividend Income

Purpose of Schedule

Use Schedule B if you are filing Form 1040 and you:

- Had more than \$400 in taxable interest,
- Had more than \$400 in dividends,
- Had a foreign account, or
- Were a grantor of, or transferor to, a foreign trust.

Part III of the schedule asks you to answer questions about foreign accounts and trusts.

Part I

Interest Income

To see what interest income you must report, read the instructions for Form 1040, line 8, on page 9.

The payer should send you a **Form 1099-INT** or **Form 1099-OID**, if applicable, showing interest you must report. If the total taxable interest from all payers is over \$400, fill in Parts I and III of this schedule.

Line 1

Report on line 1 the interest portion of any payments you received from an individual based on a take-back mortgage or other form of seller financing that resulted from the sale of your home or other property. Show the payer's name and the amount.

Line 2

Report on line 2 **ALL** taxable interest (other than seller-financed mortgage interest) that you received or that was credited to your account so you could withdraw it. List each payer's name and show the amount.

Nominees. Include on line 2 interest you received, as a nominee, that actually belongs to another person. Several lines above line 3, put a subtotal of all interest income listed on line 2. Below this subtotal, write "Nominee Distribution" and show the interest amounts you received as a nominee. Subtract these amounts from the subtotal and enter the result on line 3.

Note: If you received interest as a nominee, give the actual owner a **Form 1099-INT**.

Accrued Interest. When you buy bonds between interest payment dates and pay accrued interest to the seller, this interest is taxable to the seller. If you received a Form 1099 for interest as a purchaser of a bond with accrued interest, follow the rules above under **Nominees** to see how to report the accrued interest on Schedule B. But identify the amount to be subtracted as "Accrued Interest."

Tax-Exempt Interest. If you received a **Form 1099-INT** for tax-exempt interest, such as from municipal bonds, report the interest on line 2. Several lines above line 3, put a subtotal of all interest listed on line 2. Below this subtotal, write "Tax-Exempt Interest" and show the amount. Subtract this amount from the subtotal and enter the result on line 3. Be sure to also include this tax-exempt interest on Form 1040, line 9.

Original Issue Discount (OID). If you are reporting OID in an amount less than the amount shown on **Form 1099-OID**, follow the rules above under **Nominees** or **Accrued Interest**, whichever applies, to see how to report the OID on Schedule B. But identify the amount to be subtracted as "OID Adjustment."

Part II

Dividend Income

To see what dividend income you must report, read the instructions for Form 1040, line 10, on page 10.

The payer should send you a **Form 1099-DIV** showing dividends you must report. If the total dividends from all payers are over \$400, fill in Parts II and III of this schedule.

Line 4

Report on line 4 **ALL** of your dividend income. Be sure to include capital gain and nontaxable distributions on this line. They will be deducted on lines 6 and 7. Include cash and the value of stock, property, or merchandise you received as a dividend. If you owned shares in a mutual fund, **Publication 564**, Mutual Fund Distributions, may be helpful.

List the payer's name and show the amount of income. If securities are held by a brokerage firm (in "street name"), list the name of the brokerage firm shown on **Form 1099-DIV**.

Nominees. Include on line 4 all dividends you received, including dividends you received, as a nominee, that actually belong to another person, even if you later distributed some or all of this income to others. Several lines above line 5, put a subtotal of all dividends listed on line 4. Below this subtotal, write "Nominee Distribution" and show the amounts you received as a nominee. Subtract these amounts from the subtotal and enter the result on line 5.

Note: If you received dividends as a nominee, give the actual owner a **Form 1099-DIV**.

Part III

Foreign Accounts and Foreign Trusts

Fill in this part if you had more than \$400 of interest or dividend income; if you had a foreign financial account; or if you were the grantor of, or transferor to, a foreign trust.

Line 10

Check the **Yes** box if either **1** or **2** below applies to you.

1. At any time during the year you had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).

Exception. Check **No** if any of the following applies to you.

- The combined value of the accounts was \$10,000 or less during the whole year.

- The accounts were with a U.S. military banking facility operated by a U.S. financial institution.

- You are an officer or employee of a commercial bank that is supervised by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation; the account is in your employer's name; and **AND** you do not have a personal financial interest in the account.

- You are an officer or employee of a domestic corporation with securities listed on national securities exchanges or with assets of more than \$1 million and 500 or more shareholders of record; the account is in your employer's name; you do not have a personal financial interest in the account; and the corporation's chief financial officer has given you written notice that the corporation has filed a current report that includes the account.

2. You own more than 50% of the stock in any corporation that owns one or more foreign bank accounts.

Get **Form TD F 90-22.1** to see if you are considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).

If you checked **Yes** to question 10, file Form TD F 90-22.1 by June 30, 1988, with the **Department of the Treasury** at the address shown on that form. **Do not** attach Form TD F 90-22.1 to Form 1040.

You can get Form TD F 90-22.1 by writing to the IRS Forms Distribution Center for your state, as shown on the inside back cover.

If you checked **Yes** to question 10, write the name of the foreign country or countries in the space provided. Attach a separate sheet if you need more space.

Instructions for

Schedule D

Capital Gains and Losses and Reconciliation of Forms 1099-B

Changes You Should Note

- The Tax Reform Act of 1986 repealed the capital gain deduction and provided a maximum tax rate of 28% on net capital gains. If you have a net capital gain and your taxable income is taxed over the 28% rate, your tax will be less if you use Part IV of Schedule D to figure your tax.

Note: The repeal of the capital gain deduction does not apply to a gain from the sale of dairy cattle under a valid contract with the USDA milk termination program if it is taken into account after January 1, 1987, and before September 1, 1987. Get **Publication 225**, *Farmer's Tax Guide*, for more details.

- 1986 was the last year for **Form 4798**, Carryover of Pre-1970 Capital Losses. If you used Form 4798 in 1986 and had an entry on line 44 and/or line 50, enter the carryover(s) on Schedule D, line 6 and/or line 15.

- Passive activity gains and losses may also have to be reported on **Form 8582**, Passive Activity Loss Limitations. In some cases, the loss may be limited under the passive activity rules. Get Form 8582 and its instructions to see how to report capital gains and losses from a passive activity.

The installment method can no longer be used for sales of publicly traded stock and securities sold after December 31, 1986. If you made a year-end stock sale on an established market use the trade date as the date sold even if your broker uses the settlement date.

Purpose of Schedule

Use Schedule D (Form 1040) to report a sale or exchange of a capital asset (defined below) and to reconcile Forms 1099-B (other than real estate transactions) to your tax return. Schedule D is also used to report gains from involuntary conversions of capital assets that are not held in connection with a trade or business or a transaction entered into for profit.

Use **Form 4797**, Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions, instead of Schedule D to report the following:

- The sale or exchange of trade or business property, depreciable and amortizable property, oil, gas, geothermal, or other mineral property, and section 126 property.

- The involuntary conversion (other than by casualty or theft) of trade or business property and capital assets held in connection with a trade or business or a transaction entered into for profit.

- Disposition of other noncapital assets not mentioned above.

Use **Form 4684**, Casualties and Thefts, to report involuntary conversions of property due to casualty or theft.

Get **Publication 544**, Sales and Other Dispositions of Assets, and **Publication 550**, Investment Income and Expenses, for more information.

Form 1099-A, Information Return for Acquisition or Abandonment of Secured Property. If you received a Form 1099-A from your lender, you may have gain or loss to report because of the acquisition or abandonment. Get Publication 544 for details.

Capital Asset

Most property you own and use for personal purposes, pleasure, or investment is a capital asset. For example, your house, furniture, car, and stocks and bonds are capital assets.

A capital asset is any property held by a taxpayer **except** the following:

a. Stock in trade or other property included in inventory or held for sale to customers.

b. Accounts or notes receivable you received for services in the ordinary course of your trade or business, or from the sale of any property described in **a**, or for services you performed as an employee.

c. Depreciable property used in your trade or business even if it was fully depreciated.

d. Real property (real estate) used in your trade or business.

e. A copyright, a literary, musical, or artistic composition, a letter or memorandum, or similar property: (1) created by your personal efforts; or (2) prepared or produced for you (in the case of a letter, memorandum, or similar property); or (3) that you received from a taxpayer mentioned in (1) or (2), in a way (such as by gift) that entitled you to the basis of the previous owner.

f. U.S. Government publications (including the Congressional Record) that you received from the government, other than by purchase at the normal sales price, or that you got from another taxpayer who had received it in a similar way, if your basis is determined by reference to the previous owner.

Short-Term or Long-Term

Separate your capital gains and losses according to how long you held or owned the property. The holding period for long-term capital gains and losses is more than 6 months. The holding period for short-term capital gains and losses is 6 months or less.

To figure the holding period, begin counting on the day after you received the property and include the day you disposed of it. Use the trade dates for date acquired and date sold for stocks and bonds on an exchange or over the counter market.

Generally, a nonbusiness bad debt must be treated as a short-term capital loss.

Capital Losses

The capital loss that can be applied against other income after offsetting capital gains is limited to \$3,000 (\$1,500 if married filing a separate return).

Losses That Are Not Deductible

Do not deduct a loss from the sale or exchange of property, directly or indirectly, between any of the following:

- Members of a family.
- A corporation and an individual or a fiduciary owning more than 50 percent of the corporation's stock (not counting liquidations).
- A grantor and a fiduciary of a trust.
- A fiduciary and a beneficiary of the same trust.
- A fiduciary and a fiduciary or beneficiary of another trust created by the same grantor.
- An individual and a tax-exempt organization controlled by the individual or the individual's family.
- A partnership and a corporation if the same taxpayers own directly or indirectly more than 50 percent of the capital interest, or profits interest, in the partnership or corporation.

Get Publication 544 for more information on sales and exchanges between related parties.

If you dispose of (1) an asset used in an activity to which the at-risk rules apply, or (2) any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, get the instructions for **Form 6198**, Computation of Deductible Loss From an Activity Described in Section 465(c). If the

asset is also from a passive activity, you may also have to file Form 8582. When the loss becomes allowable under the at-risk rules, it is then subject to the passive activity rules.

Items for Special Treatment and Special Cases

The following items may require special treatment:

- Transactions by a securities dealer.
- Wash sales of stock or securities.
- Bonds and other evidence of indebtedness.
- Certain real estate subdivided for sale which may be considered a capital asset.
- Distributions received from an employee pension, profit-sharing, or stock bonus plan. (Get **Form 4972**, Tax on Lump-Sum Distributions. Also, get **Publication 575**, Pension and Annuity Income.)
- Gain on the sale of depreciable property to a more than 50% owned entity, or to a trust of which you are a beneficiary.
- Gain on the disposition of stock in an Interest Charge Domestic International Sales Corporation.
- Gain on the sale or exchange of stock in certain foreign corporations.
- Gain or loss on options to buy or sell, including closing transactions.
- Transfer of property to a foreign corporation as paid-in surplus or as a contribution to capital, or to a foreign trust or partnership.
- Transfer of property to a partnership which would be treated as an investment company if the partnership were incorporated.
- Gain on the sale of qualified reinvested dividends from a qualified public utility. Get **Publication 550** for details.
- Transfer of appreciated property to a political organization.
- Loss on sale, exchange, or worthlessness of small business stock (section 1244 stock).
- In general, no gain or loss is recognized on a transfer of property from an individual to a spouse or a former spouse (but only if the transfer is incident to divorce). Get **Publication 504**, Tax Information for Divorced or Separated Individuals.
- Amounts received on the retirement of a debt instrument generally are treated as received in exchange for the debt instrument.

Losses from the disposition of wetlands and highly erodible croplands converted to agricultural use (other than livestock grazing) after 3/1/86 and disposed of in taxable years ending after that date are reported on Schedule D, but gains are reported on Form 4797.

For rules on nontaxable exchanges, gifts of property, and inherited property, get Publication 544.

For treatment by shareholders of corporate liquidations, get **Publication 542**, Tax Information on Corporations.

For information on mutual fund transactions, get **Publication 564**, Mutual Fund Distributions.

Exchange of Like-Kind Property

Report the exchange of "like-kind" property even though no gain or loss is recognized when you exchange business or investment property for property of "like-kind." For exceptions, get Publication 544.

Identify in column (a) the property you disposed of. Enter the date you acquired it in column (b), and the date you exchanged it in column (c). Write "like-kind exchange" in column (d). Enter the cost or other basis in column (e). Enter zero in columns (f) and (g).

Sale or Exchange (Other Than Involuntary Conversion) of Capital Assets Held for Personal Use

This type of gain is a capital gain. Report it on Schedule D, Part I or Part II. Loss from the sale or exchange of this property is not deductible.

Disposition of Partnership Interest

A sale or other disposition of an interest in a partnership may result in ordinary income. Get **Publication 541**, Tax Information on Partnerships.

Long-Term Capital Gains From Regulated Investment Companies

Include in income as a long-term capital gain the amount(s) shown on **Form 2439** that represents your share of the undistributed capital gains of a regulated investment company. Enter the tax paid by the company as shown on Form 2439 on line 60 of Form 1040. Add to the basis of your stock, the excess of the amount included in income over the credit.

Sale of Residence

Use **Form 2119**, Sale or Exchange of Principal Residence, to report a gain from the sale of your principal residence whether or not you bought another one. For more information, get **Publication 523**, Tax Information on Selling Your Home.

Installment Sales

If you sold property at a gain (other than publicly traded stocks or securities), and you will receive a payment in a tax year after the year of sale, you must report the sale on the installment method unless you elect not to. Use **Form 6252**, Computation of Installment Sale Income. Also use Form 6252 if you received a payment in 1987 for a sale made in an earlier year on the installment method.

If you want to elect out of the installment method, report the sale as follows on a timely filed return (including extensions):

(1) Report the full amount of the sale on Schedule D.

(2) If you received a note or other obligation and are reporting it at less than face value (including all contingent payment obligations), complete Part VI. If you received more than one, enter the amounts separately in the spaces in Part VI.

Section 1256 Contracts and Straddles

Use **Form 6781** to report gains and losses from section 1256 contracts and straddles. Get **Publication 550** for more information.

Specific Instructions Line 1

Reconciliation of Forms 1099-B for Sales of Stocks, Bonds, etc.

Enter your total sales of stocks, bonds, etc., reported for 1987 by your broker to you on Form(s) 1099-B or on an equivalent

substitute statement(s) but do not include real estate transactions reported to you on Form 1099-B or on an equivalent substitute statement. If line 1 differs from the total of lines 2b and 9b, column (d), attach a statement explaining the difference. There may be differences between line 1 and the total of lines 2b and 9b if you reported a Form 1099-B transaction in one year but did not receive a Form 1099-B until the following year. For example, you use the trade date but your broker files Form 1099-B based on the settlement date. A difference would also occur if you received a Form 1099-B for an item that represents a return of capital.

Note: If you attach your own schedule to show detail of gain or (loss), enter the total sales price of all Form 1099-B transactions included in your own schedule on lines 2b and 9b. Report the total gain and the total loss separately on lines 7 and 16.

Column (d)

Sales Price

Enter in this column either the gross sales price or the net sales price from the sale. If you sold stocks or bonds and you received a Form 1099-B or similar statement from your broker that shows gross sales price, enter that amount in column (d). However, if the broker advised you that gross proceeds (gross sales price) less commissions and option premiums were reported to IRS, enter that net amount in column (d). If the net amount is entered in this column, do not include the commissions and option premiums in column (e).

Caution: Be sure to add all sales price entries in column (d) on lines 2a and 9a and enter the totals on lines 2b and 9b.

Column (e)

Cost or Other Basis

In general, the cost or other basis is the cost of the property plus purchase commissions, improvements, and minus depreciation, amortization, and depletion. If you inherited the property or got it as a gift in a tax-free exchange, involuntary conversion, or "wash sale" of stock, you may not be able to use the actual cash cost as the basis. If you do not use cash cost, attach an explanation of your basis.

When selling stock, adjust your basis by subtracting all the nontaxable distributions you received before the sale. Also adjust your basis for any stock splits.

The basis of property acquired by gift generally is the basis of the property in the hands of the donor.

The basis of property acquired from a decedent is generally the fair market value at the date of death.

The cost or other basis of an OID debt instrument is increased by the amount of OID that has been included in gross income for that instrument.

If a charitable contribution deduction is allowed because of a sale of property to a charitable organization, the adjusted basis for determining gain from the sale is an amount which has the same ratio to the adjusted basis as the amount realized has to the fair market value.

Increase your cost or other basis by any expense of sale such as broker's fee, commission, and option premium before

making an entry in column (e), unless you reported net sales price in column (d).

For more information, get **Publication 551**, Basis of Assets.

Lines 2a and 9a

Enter all sales of stocks, bonds, etc. whether or not you actually received a Form 1099-B. Do not include real estate transactions on lines 2a and 9a. These transactions should be reported on lines 2c and 9c, unless they are reported directly on Forms 2119, 4797, or 6252.

Line 6

Short-Term Capital Loss Carryover

Enter the amount from your 1986 Schedule D, line 28, or your 1986 Form 4798, Part II, line 44.

Line 15

Long-Term Capital Loss Carryover

Enter the amount from your 1986 Schedule D, line 34, or your 1986 Form 4798, Part II, line 50.

Part VII

Reconciliation of Forms 1099-B for Bartering Transactions

This part will enable IRS to compare amounts of bartering income reported to you on Forms 1099-B with amounts you report on your tax return.

Instructions for

Schedule E

Supplemental Income

Changes You Should Note

At-Risk Rules. The at-risk rules have been extended to cover the holding of real property (other than mineral property) placed in service after December 31, 1986. Although nonrecourse financing is generally not considered an amount at risk, qualified nonrecourse financing that is secured by real property used in an activity of holding real property is considered an amount at risk.

Passive Activity. Beginning in 1987, new rules apply that generally limit your losses from passive activities. These rules generally apply to trade or business activities in which you do not materially participate and to rental activities. See **Passive Activity Losses** on page 28.

REMICs. If you are a residual holder of a Real Estate Mortgage Investment Conduit (REMIC), see the instructions for new Part IV.

Optional Depreciation Worksheet.—The optional depreciation worksheet which was used to figure depreciation on assets placed in service before 1981 has been eliminated. See instructions for line 21 of Part I.

Purpose of Schedule

Use Schedule E to report income or (loss) from rents, royalties, partnerships, S corporations, estates, trusts, and REMICS.

Note: If you attach your own schedule(s) to report income or (loss) from any of these sources, use the same format as the Schedule E. Enter separately on Schedule E the total income and the total loss for each part. **DO NOT** combine the total income with the total loss on the separate schedule(s).

Filers of Forms 1041 and 1041S. Enter your employer identification number in the block labeled "Your social security number."

At-Risk Rules (Parts I and II)

If you have (1) a loss from any activity that you, your partnership, or S corporation engaged in as a trade or business or for the production of income, including the holding of real property (other than mineral property) placed in service after December 31, 1986, and (2) you have amounts for which you are not at risk in the activity, use **Form 6198**, Computation of Deductible Loss From an Activity Described in Section 465(c), to determine the allowable loss to report on Schedule E.

Amounts for which you are not at risk are amounts such as the following:

1. nonrecourse loans used to finance the activity, acquire property used in the activity, or acquire your interest in the activity, unless they are secured by property not used in the activity or by real property used in an activity of holding real property;
2. amounts protected against loss by a guarantee, stop-loss agreement, or similar arrangement;
3. loans from someone who has an interest in the activity, other than as a creditor, or who is related, under section 465 (b)(3)(C), to a person (other than yourself) having such an interest; or
4. amounts contributed to the activity, or to your interest in the activity that is covered by:
 - nonrecourse loans or protected against loss by a guarantee, stop-loss agreement, or similar arrangement; or
 - loans from a person described in 3 above.

Get **Publication 925**, Passive Activity and At-Risk Rules, for more information.

The at-risk rules may apply to a member of a partnership or joint venture, a shareholder in an S corporation, or a lessor of certain property. Generally, the amount you have at risk limits the loss you can deduct for any tax year.

Partners and S corporation shareholders should get a separate statement of income, expenses, deductions, and credits for each activity engaged in by the partnership and S corporation. See Form 6198 and the related instructions for more information.

If, in addition to the amount that you report on Schedule E, you sell or otherwise dispose of (1) an asset used in an activity to which the at-risk rules apply, or (2) any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, see the instructions for Form 6198.

If you have amounts that are not at risk, get Form 6198 to determine the amount of deductible loss. If the loss is from Part I, Schedule E, enter the deductible amount

from Form 6198 in the appropriate column(s) on line 23 of Schedule E. If the loss is from Part II, Schedule E, and the activity is a nonpassive activity, enter the deductible amount from Form 6198 in column (h) of Schedule E. If your loss is from a passive activity, your loss may be further limited. You must file Form 8582 to figure the amount of your deductible loss. See **Passive Activity Losses** below.

Any loss from an activity not allowed for the tax year because of the at-risk rules is treated as a deduction allocable to the activity in the next tax year.

Passive Activity Losses (Parts I–III)

Beginning in 1987, you generally can deduct losses from passive activities only to the extent of income from passive activities. Exceptions apply to certain activities, such as rental real estate activities (see Part I instructions). Also, phase-in rules apply to passive activities acquired before October 23, 1986.

Losses from passive activities are first subject to the at-risk rules. Losses deductible under the at-risk rules are then subject to the passive activity rules.

A passive activity generally is any activity involving the conduct of any trade or business in which you **DO NOT** materially participate. In addition, a rental activity is a passive activity regardless of whether you materially participate in the rental activity.

You are considered to materially participate in an activity if you are involved on a regular, continuous, and substantial basis in the operation of the activity. Except as otherwise provided in regulations, you do not materially participate if you own an interest in a limited partnership.

However, a working interest in oil and gas property that you hold directly or through an entity that does not limit your liability is not a passive activity even if you do not materially participate.

Generally, royalty income not derived in the ordinary course of a trade or business reported on Schedule E is not considered income from a passive activity.

Use **Form 8582**, Passive Activity Loss Limitations, to summarize your income and losses from passive activities and to figure the amount of loss that you are allowed to deduct for each passive activity.

For more information on passive activities, see the instructions for Parts I, II, and III of Schedule E, the instructions for Form 8582, and Publication 925.

Part I

Rental and Royalty Income or (Loss)

Generally, you should use this part to report rental and royalty income. Report rents from property you own or control, including room and other space rentals. However, if you provided significant services to the renter, or if your business was selling real estate, report the income on **Schedule C (Form 1040)**. For more information on rental income and expenses, see **Tele-Tax Information** in the index (topic no. 213) or get **Publication 527**, Rental Property.

Report royalties from oil, gas, or mineral properties, copyrights, and patents. However, if you hold an operating oil, gas, or mineral interest, or are in business as a self-employed writer, inventor, artist, etc., report gross income and expenses on Schedule C (Form 1040).

If you use Part I to report rental and royalty income, enter your rental and royalty expenses for each property in the appropriate columns on lines 6 through 22.

If you have a loss from an activity, see **At-Risk Rules and Passive Activity Losses** discussed earlier.

If you have more than three rental or royalty properties, complete and attach as many Schedules E as are needed to list the properties. Complete lines 1, 2, and 3 for each property. However, fill in the "Totals" column for lines 4, 5, 12, 20, 21, and 25 through 29 on only one Schedule E. The figures in the total column on that Schedule E should be the combined totals of all the schedules.

If you also need to use page 2 of Schedule E, use the same Schedule E that you used to enter the combined totals in Part I.

Rentals

If you were not in the real estate sales business and you received rent from property you own or control, report it on line 4. If you received services or property, instead of money, as rent, report its fair market value.

You can deduct an amount for the depreciation of rental property. You can also deduct all normal expenses, such as taxes, interest, repairs, insurance, maintenance, and agent's commissions.

Do not deduct the value of your own labor. Do not deduct capital investments or improvements; instead, add these to the basis of the property for depreciation.

Renting Out Part of Your Home. If you rent out only part of your home or other property, deduct the part of your expenses that apply to the rented part.

Renting Out a Home That Is Also Used for Personal Purposes. Generally, you may deduct only those expenses which apply to the time that the home or other dwelling unit is rented out. A dwelling unit includes a house, apartment, condominium, mobile home, boat, or similar property. Also, if you or your family used the property as a residence, certain expenses cannot be more than the gross rental income minus the sum of the business percentage of mortgage interest, real estate taxes, and casualty loss, plus your other expenses. Generally, any amount you cannot deduct for 1987 because of this limitation, may be taken into account for 1988. See **Publication 545**, Interest Expense, to determine how much interest you may deduct. Generally, a home or other dwelling unit is used as a residence if you or your family used it for personal purposes for more than the greater of 14 days, or 10% of the number of days during 1987 that the property was actually rented out at a fair rental.

A day of personal use is any day, or part of a day, that the unit is used—

- for personal purposes by you, or any other person who has an interest in it, unless the unit is rented to that person under a shared equity financing agreement, or
- by a member of your family or family member of any other person who has an interest in it, unless the unit is rented at fair rental as that person's residence, or
- by anyone under an arrangement that lets you use some other dwelling unit, or
- by anyone at less than fair rental.

If you used the property as a residence and rented it out for less than 15 days, you may not deduct any rental expenses. However, if you itemize your deductions, you may deduct interest, taxes, and casualty losses on **Schedule A (Form 1040)**. You do not have to report the rental income.

Line 3. A rental real estate activity is treated as a passive activity and, therefore, is subject to the limitation on losses from passive activities. However, a special rule applies if you actively participated in rental real estate activities and had losses from these activities. In general, you may be able to deduct up to \$25,000 of losses from all rental real estate activities. However, other amounts apply if you are married filing separately.

The active participation requirement can be met without regular, continuous, and substantial involvement in operations, as long as you participated in making management decisions or arranging for others to provide services (such as repairs), in a significant and bona fide sense. Management decisions that are relevant in this context include approving new tenants, deciding on rental terms, approving capital or repair expenditures, and other similar decisions.

For more information, see the instructions for Form 8582 and Publication 925.

Lines 12 and 13. Beginning in 1987, new rules apply for allocating interest expense for purposes of applying the passive activity loss limits. In general, to determine your interest expense allocable to the rental activities, you will have to keep records to show how the proceeds of each debt were used. Specific tracing rules apply for allocating debt proceeds and repayment of the debt.

See **Publication 535**, Business Expenses, for further information, including special transitional rules that may require you to attach statements to your tax return.

If you have a mortgage on your rental property, enter on line 12 the interest you paid for 1987 to financial institutions. Be sure to fill in the "Totals" column.

If you paid \$600 or more of interest on this mortgage, you should receive by February 1, 1988, a **Form 1098**, Mortgage Interest Statement, or similar statement, showing the total interest received from you during 1987. If you and at least one other person (other than your spouse if you file a joint return) were liable for, and paid interest on, the mortgage, and the other

person received the Form 1098, attach a statement to your return showing the name and address of the person who received the Form 1098. In the left margin, next to line 12, write "see attached."

If you paid more mortgage interest than is shown on your Form 1098, or similar statement, get **Publication 545** to see if you can deduct the additional interest. If you can, attach a statement to your return explaining the difference and write "see attached" in the left margin next to line 12.

Line 21. You may take a deduction for depreciation each year for property used for rental purposes. The deduction does not apply to land and personal use property.

If you placed any property in service after 1980, complete **Form 4562**, Depreciation and Amortization. Enter on line 21 the amount from Form 4562, Part I. If you are depreciating **only** property placed in service before 1981, you do not need Form 4562. Figure depreciation on a worksheet from your own books and records and enter the total depreciation on line 21. You do not need to attach the worksheet to your return. For a sample worksheet, see **Publication 534**, Depreciation, or see the optional worksheet from Part V of your 1986 Schedule E.

For more information on depreciation, see the instructions for Form 4562 and Publication 534.

Line 24. Enter on line 24 the amount of your deductible rental loss. Generally, you will have to complete Form 8582 to figure the amount to enter on line 24. However, you do not have to complete Form 8582 if you meet **ALL** of the conditions listed below:

- you have losses only from rental real estate activities shown on line 23,
- you have no credits related to those activities,
- you actively participated in the operation of the activities,
- you have no losses or credits from other passive activities,
- if you are married filing separately, you lived apart from your spouse all year,
- your total losses from the rental real estate activities are \$25,000 or less (\$12,500 or less if married filing separately and you lived apart from your spouse all year),
- your modified adjusted gross income, defined below, is \$100,000 or less (\$50,000 or less if married filing separately and you lived apart from your spouse all year), and
- if you have income from rental activities shown on line 23, you have no credits related to those activities.

If you meet all the conditions listed above, your rental real estate losses are not limited. Enter the amount of the loss from line 23 on line 24.

If you do not meet all of the conditions listed above, you **MUST** complete and attach Form 8582.

Modified adjusted gross income is computed without regard to any passive activity loss, any taxable social security or railroad retirement benefits, and any deductible contributions to an IRA or other qualified retirement plan under section 219.

Royalties

Report on line 5 royalties from oil, gas, or mineral properties (not including operating oil, gas, or mineral interests); copyrights; and patents. If you received \$10 or more of royalties, you should receive, by February 1, 1988, a **Form 1099-MISC** or similar statement, showing the royalties. If you are in business as a self-employed writer, inventor, artist, etc., report income and expenses on Schedule C (Form 1040). Under certain circumstances, you can treat amounts received as "royalties" for transfer of a patent or amounts received on the disposal of coal and iron ore as the sale of a capital asset. For more details, get **Publication 544**, Sales and Other Dispositions of Assets.

If state or local taxes were withheld from oil or gas payments you received, enter on line 5 the gross amount of royalty. Include the taxes withheld by the producer on line 16, but **DO NOT** include on line 16 the amount of windfall profit taxes actually withheld in 1987. Instead, enter that amount in Part V, line 40.

Enter your depletion deduction on line 21. Get **Publication 535**, Business Expenses, for information on depletion.

Rental Income From Farm Production or Crop Shares

Report farm rental income and expenses on **Form 4835**, Farm Rental Income and Expenses, if you meet these two tests:

- a. You received rental income that was based on crops or livestock produced by the tenant.
- b. You did not manage or operate the farm to any great extent.

Note: Any loss from this kind of activity is subject to the passive activity loss rules. See **Publication 925** for more information.

If you use Form 4835, enter on line 28 of Schedule E the net farm rental profit or loss from Form 4835. Also enter the gross farm rents from Form 4835, line 8, in Part VI of Schedule E, line 43.

Note: For purposes of the estimated tax penalty, income received from your share of crops and rental based on farm production is considered income from farming.

Expenses To Rehabilitate Low-Income Housing

You may amortize a portion of the costs you paid or incurred to rehabilitate qualified low-income housing if the rehabilitation began before January 1, 1987. For rehabilitation that began after 1986, the amortization deduction has been replaced by a new tax credit. Get **Form 8586**, Low-Income Housing Credit, and Publication 572 for more details. Also, see Publication 925 for information on the passive activity loss rules as they apply to low-income housing.

Deduction For Removal of Barriers to the Handicapped and Elderly

You can deduct up to \$35,000 of the costs you paid or incurred in 1987 to remove architectural or transportation barriers to the handicapped and the elderly. Get **Publication 535** for more details.

Parts II and III Income or (Loss) From Partnerships, S Corporations, Estates, or Trusts

If you are a member of more than one partnership, a shareholder in more than one S corporation, or a beneficiary of more than one estate or trust, enter all the information for each entity on the same line. For example, if you are completing Part II and are a member of Partnerships X and Y, enter all the information for columns (a) through (j), as appropriate, for Partnership X on line A, and for Partnership Y on line B.

If you need additional space in Parts II and III to list your income or losses, attach a continuation sheet using the same format as shown in Parts II and III. However, be sure to complete the "Totals" columns for lines 30a and 30b, or lines 34a and 34b, as appropriate. If you also completed Part I on more than one Schedule E, use the same Schedule E that you used to enter the combined totals in Part I.

Tax Shelter Registration Number. If you are claiming or reporting any deduction, loss, credit, or other tax benefit, or reporting income from an interest purchased or otherwise acquired in a tax shelter, you must attach **Form 8271**, Investor Reporting of Tax Shelter Registration Number, to your return to report the tax shelter registration number as well as other information about the tax shelter. There is a penalty if you fail to report this number on your tax return.

Tax Preference Items. If you are a partner, a shareholder in an S corporation, or a beneficiary of an estate or trust, you must take into account your share of tax preference items from these entities on **Form 6251**, Alternative Minimum Tax—Individuals. For more information, get Form 6251.

Partnerships and S Corporations

If you are a member of a partnership or joint venture or a shareholder of an S corporation, use Part II to report your share of the partnership or S corporation income (whether you received it or not) or loss. You should receive a **Schedule K-1** from the partnership or the S corporation. Do not attach that schedule to your return. Keep it for your records. You should also receive a copy of the partner's or shareholder's Instructions for Schedule K-1. If you did not receive a copy of these instructions with your Schedule K-1, you can get a copy at most IRS offices.

New rules apply that limit losses from passive activities. Your copy of Schedule K-1 and its instructions will tell you where on your return to report your share of the items. However, please note the following:

- If you have either a passive or nonpassive activity loss from a partnership or S corporation, see the **At-Risk Rules** on page 27.
- If you have a passive activity loss you must complete **Form 8582** to figure the amount of the allowable loss to enter in Part II, column (f), for that activity.
- If you have passive activity income, complete Part II, column (g), for that activity.

- If you have nonpassive activity income or loss, complete Part II, columns (h) through (j), as appropriate.
- If you are treating items on your tax return differently from the way the partnership or S corporation reported the items on its return, you may have to file **Form 8082**.
- If you are claiming a deduction for recovery property (section 179) from a nonpassive activity, enter the amount of this deduction in column (i) of Schedule E. New rules limit the amount of your section 179 deduction. See **Publication 534**.

Partnerships. If you have other partnership items, such as depletion, show each item on a separate line in Part II. If you claimed a credit for Federal tax on gasoline or other fuels on your 1986 Form 1040 (based on information received from the partnership), enter as income in column (g) or column (j), whichever applies, the amount of the credit claimed in 1986. If you have unreimbursed partnership expenses, show them on a separate line and enter the amounts in column (f) or (h), whichever applies.

Part or all of your share of partnership income or loss from the operation of the business may be considered net earnings from self-employment that must be reported on **Schedule SE (Form 1040)**. Enter the amount from Schedule K-1 (Form 1065), line 14a, on Schedule SE, Part I, after you have reduced this amount by any allowable expenses attributable to that income.

If you have losses or deductions from a prior year that you could not deduct in the prior year because of the at-risk rules or basis rules, do not combine the prior-year amounts with any current-year amounts to arrive at a net figure to report on Schedule E. Instead, report on separate lines on Schedule E prior-year amounts and current-year amounts.

S Corporations. Your share of the net income is **NOT** subject to self-employment tax. Also, distributions of prior-year accumulated earnings and profits of all S corporations are dividends and are reported on **Schedule B (Form 1040)**. For more information, get **Publication 589**, Tax Information on S Corporations.

If you are a shareholder claiming a deduction for your share of the S corporation's net operating loss, attach to your return a computation of the adjusted basis of your stock in the corporation and the adjusted basis of any debt the corporation owes you. Your deduction is limited to that amount. However, any amount not allowed this year may be carried forward and deducted in a later year in which you have sufficient basis in the stock and debt. See **Publication 589** for information on adjustments to basis.

Estates and Trusts

If you are a beneficiary of an estate or trust, use Part III to report your part of the income (whether you received it or not) or loss. You should receive a **Schedule K-1 (Form 1041)** from the fiduciary. Do not attach that schedule to your return. Keep it for your records.

Note: If you are a beneficiary of a fiscal year trust, you will receive two Schedules K-1 (Form 1041) for 1987—one for the fiscal year ending during 1987, and one for the short year ending on December 31, 1987. See the instructions for Schedule K-1 for information on how to report the amounts shown on the schedules.

New rules apply that limit losses from passive activities. Your copy of Schedule K-1 and its instructions will tell you where on your return to report the items from Schedule K-1. However, please note the following:

- If you have either a passive or nonpassive activity loss from an estate or trust, see the **At-Risk Rules** on page 27.
- If you have a passive activity deduction or loss from an estate or trust, you will generally have to complete **Form 8582** to figure the amount to enter in Part III, column (c), for that activity.
- If you have passive activity income from an estate or trust, complete Part III, column (d), for that activity.
- If you have nonpassive activity income, deduction, or loss from an estate or trust, complete Part III, columns (e) and (f), as appropriate.
- If you have estimated taxes credited to you from a trust (Schedule K-1, line 9a), write "ES payment claimed" and the amount on the dotted line to the left of the line 37 entry space. **Do not** include this amount in the total on line 37; instead, enter the amount on Form 1040, line 55.

A U.S. person who transferred property to a foreign trust may have to include in income the income received by the trust as a result of the transferred property if, during 1987, the trust had a U.S. beneficiary. For more information, get **Form 3520-A**, Annual Return of Foreign Trust With U.S. Beneficiaries.

Part IV Income or (Loss) From REMICs

If you are a residual holder of a Real Estate Mortgage Investment Conduit (REMIC), use Part IV to report your total share of the REMIC's taxable income or (loss) for each quarter included in your tax year. You should receive **Schedule Q (Form 1066)** and instructions from the REMIC for each quarter. Do not attach the schedule(s) to your return; but keep for your records.

REMIC income or (loss) reported on Schedule E is not considered to be income or (loss) from a passive activity.

Note: If you are a regular holder of a REMIC, do not use Schedule E to report the income you receive. Instead, report that income on Form 1040, line 8.

Column (c). Report the total of the amounts shown on Schedule(s) Q, line 2c, in Part IV, column (c). This total is the smallest amount of taxable income you may report on Form 1040, line 36, for 1987. This means that if the taxable income you

show on Form 1040, line 36, is **smaller** than the total reported in column (c), you **must** use the amount from column (c) as your taxable income on Form 1040, line 36.

Caution: Do not include the amount shown in column (c) in the total on line 38 of Schedule E.

Column (e). Report the total of the amounts shown on Schedule(s) Q, line 3b, in Part IV, column (e). If you itemize your deductions on Schedule A (Form 1040), include this amount in the total on line 21 of Schedule A.

If you are a residual holder in more than one REMIC, attach a continuation sheet using the same format as shown in Part IV. Enter the totals of columns (d) and (e) on line 38 of Schedule E. If you also completed Part I on more than one Schedule E, use the same Schedule E that you used to enter the combined totals in Part I.

If you are treating REMIC items on your tax return differently from the way the REMIC reported the items on its return, you may have to file **Form 8082**.

Part V

Caution: If you are a member of a partnership, the amounts entered on lines 39 and 40 may affect your net earnings from self-employment on Schedule SE.

Line 39

In certain situations, you must report as income on line 39 the amount of any credit or refund of overpaid windfall profit tax you received in 1987 for tax year 1986, based on overwithholding or the net income limitation.

In general, the amount of credit or refund you received is income to the extent you deducted windfall profit tax withheld in 1986 on Schedule E, and received a tax benefit for the deduction on your 1986 tax return. For more information, see the instructions for **Form 6249**, Computation of Overpaid Windfall Profit Tax.

Line 40

If you are a cash method taxpayer, deduct on line 40 the amount of windfall profit tax actually withheld in 1987.

Part VI

Line 43

Enter on this line your total share of gross farming and fishing income as shown on Form 4835, line 8; Schedule K-1 (Form 1065), line 14b; Schedule K-1 (Form 1120S), line 19; and Schedule K-1 (Form 1041), line 9.

You will not be charged a penalty for underpayment of estimated tax if you meet the following tests:

1. your gross farming or fishing income for 1986 or 1987 is at least two-thirds of your gross income, and
2. you file your 1987 tax return and pay the tax due by March 1, 1988.

Instructions for

Schedule C

Profit or (Loss) From Business or Profession

Changes You Should Note

The Tax Reform Act of 1986 made a number of changes that may affect your 1987 return. Some of the changes include new rules for:

- Travel, meal, and entertainment expenses. See page 2 and line 26 instructions.
- Self-employed health insurance costs. See page 2.
- State and local sales taxes. See line 25 instructions.
- Passive activity losses. Your losses from passive activities are generally limited. See instructions for new line J.
- Interest expense allocation. See the instructions for lines 17a and 17b.
- Asset acquisition. If after May 6, 1986, you buy or sell a group of assets that constitute a trade or business, you may have to complete and attach **Form 8594**, Asset Acquisition Statement, to Form 1040. Generally, you will have to file Form 8594 if goodwill or a going concern value attaches, or could attach, to such assets and the buyer's basis in the assets is determined only by the amount paid for the assets. Get Form 8594 for details.

Purpose of Schedule

If you operated a business or practiced a profession as a sole proprietorship, complete **Schedule C**. If you had more than one business, or if you and your spouse had separate businesses, you must complete a Schedule C for each business. Farmers should use **Schedule F**.

Filers of Forms 1041 and 1041S. You are not required to complete the block labeled "Social security number"; however, be sure to enter your employer identification number on line D.

Deduct interest, taxes, and casualty losses not related to your business as itemized deductions on **Schedule A**.

Report sales, exchanges, and involuntary conversions (other than casualty or theft) of trade or business property on **Form 4797**.

Use **Form 4684**, Casualties and Thefts, to report a casualty or theft involving trade or business, or income-producing property.

You must pay social security self-employment tax on income from any trade or business unless you are specifically exempted. Please see **Schedule SE**.

For more details about business income and expenses, get **Publication 334**, Tax Guide for Small Business.

Information Returns

You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, real estate transactions, annuities, and pensions, or for sales by you of \$5,000 or

more of consumer products to a person on a buy-sell, deposit-commission, or other basis for resale. For more information, get **Publication 916**, Information Returns.

If you receive cash of more than \$10,000 in one or more related transactions in the course of your trade or business, you may have to file **Form 8300**.

Line A

Describe the business or professional activity that provided your principal source of income included on Schedule C, Part I, line 1a. Give the general field or activity and the type of product or service. If your general field or activity is wholesale or retail trade, or services connected with production services (mining, construction, or manufacturing), then also give the type of customer or client. For example, "wholesale sale of hardware to retailers" or "appraisal of real estate for lending institutions."

Line B

Enter on this line the 4-digit code that identifies your principal business or professional activity. See Part IV on page 2 of Schedule C for the list of codes.

Locate the major business category that best describes your type of business or professional activity. Within the major category, select the activity code that identifies the business or profession that is the principal source of your sales or receipts. If no code applies, select the one that most closely identifies your activity.

Line C

Use your home address only if you actually conducted the business from your home. You should show a street address instead of a box number.

Line D

You don't need an employer ID number unless you had a Keogh plan or were required to file an employment, excise, fiduciary, or alcohol, tobacco, and firearms tax return.

Line E

Your inventories can be valued at:

- cost,
- cost or market value, whichever is lower, or
- any other method approved by the Commissioner of Internal Revenue.

Line F

You must use the cash method on your return unless you kept account books. If you kept such books, you can use the cash method or the accrual method. Effective for contracts entered into after February 28, 1986, special rules apply for accounting for long-term contracts. See Internal Revenue Code section 460 for details. The method used must clearly reflect your income.

To change your accounting method (including the treatment of any item such as inventories or bad debts), you must usually first get the permission of the Internal Revenue Service. In general, file **Form 3115** (1987 revision) within the first 180 days of the tax year in which you want to make the change.

If you use the **cash method**, show all items of taxable income actually or constructively received during the year (in cash, property, or services). Also show amounts actually paid during the year for deductible expenses. Income is constructively received when it is credited to your account or set aside for you to use.

If you use the **accrual method**, report income when you earn it and deduct expenses when you incur them, even if you do not pay them during the tax year.

Accrual-basis taxpayers are put on a cash basis for deducting business expenses owed to a related cash-basis taxpayer. Other rules also apply that determine the timing of deductions based on economic performance. See Publication 538.

Line H

Within certain limits, you may deduct business expenses that apply to a part of your home **only** if that part is exclusively used on a regular basis:

1. as your principal place of business for any of your trades or businesses; or
2. as a place of business used by your patients, clients, or customers to meet or deal with you in the normal course of your trade or business; or
3. in connection with your trade or business if it is a separate structure that is not attached to your home.

You may also deduct expenses that apply to space within your home if it is the **only** fixed location of your trade or business. The space must be used on a regular basis to store inventory held for use in your trade or business of selling products at retail or wholesale.

If you use space in your home on a regular basis in your trade or business of providing day care service, you may be able to deduct the business expenses even though you also use the same space for nonbusiness purposes.

Beginning in 1987, your deduction for the business use of your home is further limited to your gross income from the business use minus the sum of the business portion of your mortgage interest, real estate taxes, and casualty losses, plus your other business expenses that are not related to the business use of your home. Generally, any amount you cannot deduct for 1987 because of this limitation may be taken into account for 1988. Get **Publication 587** for details. Also get **Publication 545** to determine how much interest you may deduct.

Line J

Beginning in 1987, generally, you can deduct losses from passive activities only to the extent of income from passive activities. However, the new law provides exceptions for certain activities and it also contains phase-in rules for some losses. A passive activity generally is any activity involving the conduct of a trade or business in which you DO NOT materially participate. You are considered to materially participate in an activity if you are involved on a regular, continuous, and substantial basis in the

operation of the activity. Check the "Yes" or "No" box, whichever applies, to indicate whether you materially participated in the activity. **Exception:** The passive loss rules do not apply to oil and gas activities in which you have a working interest; that is, your liability is not limited. In this case, check "Yes" to Question J, even if you did not materially participate. For more details on passive activities, see **Passive Activity Losses** in the Schedule E instructions on page 28.

If you did not materially participate in the operation of your business and you claim a loss for this business, you must complete **Form 8582**, Passive Activity Loss Limitations, to figure your allowable loss to enter on Schedule C, line 31.

Line M

Tax Shelter. If you are claiming or reporting any deduction, loss, credit, other tax benefit, or income on Schedule C from an interest purchased or otherwise acquired in a tax shelter required to be registered, you must check the box on line M, and you must file **Form 8271**, Investor Reporting of Tax Shelter Registration Number.

Part I

Income (Lines 1a through 5)

Line 1a

Enter gross receipts or sales from your business. Be sure to include on this line amounts you received in your trade or business as shown on **Form(s) 1099-MISC**.

Installment Sales. Beginning in 1987, generally the installment method may no longer be used to report the sale of personal property under a revolving credit plan.

Also, special rules now apply if you sell under the installment method: (1) real property held for resale to customers; or (2) personal property that you regularly sell under the installment method as a dealer.

Under the new rules, part of the outstanding debt owed to you on an installment sale may be treated as a payment to you during the year, even though no payment was actually made. This "deemed payment" should be added to amounts you actually collected on the debt in figuring the amount to report as income under the installment method.

If you use the installment method, attach a schedule showing separately for 1987 and the three preceding years: gross sales; cost of goods sold; gross profit; percentage of gross profits to gross sales; amounts collected; and gross profits on amounts collected.

Line 1b

You should enter on line 1b such items as returned sales, rebates, and allowances from the sales price.

Line 4

In certain situations, you must report as income on line 4 the amount of any credit or refund of overpaid windfall profit tax you received in 1987 for tax year 1986, based on overwithholding or the net income limitation. In general, the amount of credit

or refund you received is income to the extent you deducted windfall profit tax withheld in 1986 on Schedule C, and received a tax benefit for the deduction on your 1986 tax return. Get the instructions for **Form 6249**, Computation of Overpaid Windfall Profit Tax, for details.

Also report on line 4 finance reserve income, scrap sales, amounts recovered from bad debts, interest (such as on notes and accounts receivable), the amount of credit for Federal tax on gasoline or other fuels claimed on your 1986 Form 1040, and other kinds of miscellaneous income from the business or profession.

If you have listed property that you placed in service after June 18, 1984, and the business use percentage decreased to 50% or less in 1987, report on this line any recapture of excess depreciation, including the section 179 expense deduction. Use **Form 4797** to figure the recapture.

Part II

Deductions (Lines 6 through 29)

Capitalizing costs of property. Beginning in 1987, if you produced real or tangible personal property or acquired property for resale, certain expenses attributable to the property must be included in inventory costs or capitalized. In addition to direct costs, producers of inventory property must also include a portion of certain indirect costs in their inventory. Purchasers of personal property acquired for resale must include a portion of certain indirect costs in inventory only if the average annual gross receipts for the 3 prior tax years exceeds \$10 million. Also, a portion of the indirect costs that benefit real or tangible personal property constructed for use in a trade or business, or noninventory property produced for sale to customers, must also be capitalized. For more details, see **Publication 538**, Accounting Periods and Methods.

Line 7

Caution: Cash method taxpayers are not entitled to a bad debt deduction unless the amount was previously included in income.

Include debts and partial debts arising from sales or services that were included in income and are definitely known to be worthless.

If you later collect a debt that you deducted as a bad debt, include it as income in the year you collect it. The reserve method of computing bad debts has been repealed for tax years beginning after 1986. If you maintained a reserve for 1986, you must change to the specific charge-off method for 1987. Also, starting in 1987, you must include the balance remaining in the reserve account as income ratably over a four-year period. For more information, get **Publication 548**, Deduction for Bad Debts.

Line 9

You can deduct the actual cost of running your car or truck, or take the standard mileage rate. You **must** use actual costs if you use more than one vehicle in your business. If you deduct actual costs, show depreciation on line 12.

Note: If you claim any car expenses (actual costs or the standard mileage rate), you must complete Part III of **Form 4562**, Depreciation and Amortization.

The standard mileage rate is figured at 22½ cents a mile up to 15,000 miles, and 11 cents for each mile after that. Add to this amount your parking fees and tolls.

For cars and trucks that have been fully depreciated, the rate is 11 cents a mile.

If you use the standard rate, the vehicle is considered to have a useful life of 60,000 miles of business use at the maximum standard mileage rate. For details, get **Publication 917**, Business Use of a Car.

Note: If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a Federal highway use tax on these vehicles. Get **Form 2290**, Heavy Vehicle Use Tax Return, to see if you are subject to the tax.

Line 11

Enter your total deduction for depletion on this line. If you claim a deduction for timber depletion, please attach **Form T**. Get **Publication 535** for details.

Line 12

You can deduct an amount each year for assets you buy to use in your business. The deduction for depreciation does not apply to stock in trade, inventories, land, and personal assets. You may also choose under section 179 to expense a portion of the cost of certain depreciable property you bought in 1987 for use in your business. Figure your depreciation deduction, including the section 179 expense deduction, on Form 4562.

The depreciation deduction for cars, including any section 179 deduction, is limited. For example, if you placed a car in service in 1987, your deduction is limited to \$2,560. The allowable amounts are further limited if your business use is less than 100%. If you claim depreciation for any cars or other listed property, you must complete Part III of Form 4562. See the instructions for Form 4562 and **Publication 534**, for details.

If you have listed property (such as a car or light truck) that you placed in service after June 18, 1984, and the business use percentage of the property decreased to 50% or less during 1987, you may have to recapture excess depreciation, including any section 179 expense deduction. Get **Form 4797** and its instructions for details.

If you took an investment credit on property that you dispose of before the end of its class life or life years, the business use percentage decreases, or the use of the property otherwise changes so that it no longer qualifies, you may have to refigure the credit. Get **Form 4255**, Recapture of Investment Credit, for details.

Line 14

Enter the amount of your contributions that are not an incidental part of a pension or profit-sharing plan included on line 21. Also include here contributions to insurance, health, and welfare programs.

Lines 17a and 17b

Interest allocation rules. The tax treatment of interest expense differs depending on its type (for example, personal interest, home mortgage interest, and investment interest). Beginning in 1987, new "interest allocation" rules apply that require you to allocate (classify) your interest expense so that it is deducted on the proper place of your tax return and receives the proper tax treatment. These rules could affect how much interest you deduct on Schedule C.

Generally, you allocate your interest expense by tracing how the proceeds of the loan are used. See **Publications 535** and **545** for more detailed information, including special transitional rules that may require you to attach statements to your tax return.

If you paid interest on a debt secured by your principal home, and any of the proceeds from that debt were used in connection with your trade or business, you may have to complete **Form 8598**, Home Mortgage Interest, to figure the interest that is deductible on Schedules A and C. However, you may elect to treat that debt as not secured by your principal home. See **Publication 545** for details.

If you paid interest that applies to future years, deduct for 1987 only the part that applies to 1987.

If you have a mortgage on real property used in your business (other than your principal residence), enter on line 17a the interest you paid for 1987 to financial institutions. If you paid \$600 or more of interest on this mortgage, you should receive a **Form 1098**, Mortgage Interest Statement, or similar statement, showing the total interest received from you during 1987. You should receive this statement by February 1, 1988. If you and at least one other person (other than your spouse if you file a joint return) were liable for, and paid interest on, the mortgage, and the other person received the **Form 1098**, attach a statement to your return showing the name and address of the person who received the **Form 1098**. In the left margin, next to line 17a, write "see attached."

If you paid more mortgage interest than is shown on **Form 1098**, or similar statement, get **Publication 545** to see if you can deduct the additional interest. If you can, attach a statement to your return explaining the difference and write "see attached" in the left margin next to line 17a.

Do not deduct interest you paid or accrued on debts allocable to investment property. This interest is generally deducted on **Schedule A**. For details, get **Publication 550**, Investment Income and Expenses.

Line 21

You should enter the amount you claim as a deduction for contributions to a pension, profit-sharing, or annuity plan, or plans for the benefit of your employees. If the plan includes you as a self-employed person, you should enter contributions made as an employer on your behalf (but not voluntary contributions you made as an employee) on **Form 1040**, line 26, not on Schedule C.

Generally, you are required to file one of the following forms if you maintain a pension, profit-sharing, or other funded-deferred compensation plan, whether or not it qualified under the Internal Revenue Code and whether or not you claim a deduction for the current tax year.

Form 5500.—Complete this form for each plan with 100 or more participants.

Form 5500-C, 5500-R, or 5500EZ.—Complete the applicable form for each plan with less than 100 participants.

There is a penalty for failure to timely file these forms.

For more information, get **Publication 560**, Self-Employed Retirement Plans.

Line 23

You can deduct the cost of repairs including labor, supplies, and other items that do not add to the value or increase the life of the property. Do not deduct the value of your own labor. And do not deduct amounts you spent to restore or replace property. They are chargeable to capital accounts or to the depreciation reserve, depending on how depreciation is charged on your books.

Line 25

You can deduct the following taxes:

- Real estate and personal property taxes on business assets.
- Social security taxes you paid to match what you were required to withhold from your employees' wages and any Federal unemployment tax paid.
- If you hold an operating oil, gas, or mineral interest, and you are a cash method taxpayer, deduct on line 25 the amount of windfall profit tax actually withheld in 1987. **Form 6248** shows the amount of windfall profit tax actually withheld in 1987.
- Federal highway use tax.

Do not deduct:

- Federal income taxes.
- Estate and gift taxes.
- Taxes assessed to pay for improvements, such as paving and sewers.
- Taxes on your home or personal property.
- State and local sales taxes (these taxes are treated as part of the cost of the property).
- Other taxes not related to your business.

Lines 26a through 26d

Beginning in 1987, you may deduct only 80% of your business-related meal and entertainment expenses, including meals incurred while traveling away from home on business. This rule also applies to meal and entertainment expenses for which you reimburse your employees, but only if you do not treat the reimbursement as wages subject to withholding.

Under new rules, business meal expenses are deductible only if they are: (1) directly related to or associated with the active conduct of your trade or business; (2) not lavish or extravagant; and (3) incurred while you or your employee is present at the meal.

There are exceptions to these rules as well as other new rules that apply to sky-box rentals, tickets to entertainment events,

and luxury water travel. For more information, see **Publication 463**.

You cannot deduct any expense paid or incurred for a facility (such as a yacht or hunting lodge) that is used for any activity that is usually considered entertainment, amusement, or recreation.

Note: You may be able to deduct the expense if the amount is treated as compensation and reported on **Form W-2** for an employee or **Form 1099-MISC** for an independent contractor. (See **Publication 463** for more details.)

Foreign Conventions. Generally, you cannot deduct expenses for attending a foreign convention unless it is directly related to your trade or business and it is as reasonable for the meeting to be held outside the North American area or Jamaica as within it. These rules apply to employers as well as to employees. See **Publication 463** for more details.

Line 26c. Enter 20% of the meal and entertainment expenses shown on line 26b that are subject to the 80% limit.

Lines 28a and 28b

Enter on line 28a the total salaries and wages (other than salaries and wages deducted elsewhere on your return) paid or incurred for the tax year. Do not include any amount paid to yourself.

Caution: If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as wages the amount applicable to depreciation and other expenses that you claimed elsewhere.

Enter on line 28b the jobs credit from **Form 5884**, Jobs Credit.

Line 29

Include all ordinary and necessary business expenses not deducted elsewhere on Schedule C. Do not include the cost of business equipment or furniture, replacements or permanent improvements to property, or personal living and family expenses. List the type and amount of each expense separately. Enter one total in the line 29 entry space.

Any loss from this activity that was not allowed as a deduction last year because of the at-risk provisions is treated as a deduction allocable to this activity in 1987.

Amortization. Use **Form 4562** to figure your amortization deduction. Include on line 29 of Schedule C the amount from **Form 4562**, Part II.

You may amortize:

- The cost of pollution-control facilities.
- The costs to rehabilitate qualified low-income housing if the rehabilitation began before 1987. For rehabilitation that began after 1986, the amortization deduction has been replaced by a new tax credit. Get **Publication 535** and **Form 8586**, Low-Income Housing Credit, for more details. Also, see **Publication 925** for information on the passive activity loss rules as they apply to low-income housing.
- Amounts paid for research and experiments.
- Amounts paid before 1987 for trademarks and trade names.
- Certain business startup costs.

- Qualified forestation and reforestation costs.

You can deduct up to \$35,000 of the costs you paid or incurred in 1987 to remove architectural or transportation barriers to the handicapped and the elderly. See Publication 535 for more details.

If you lease business property, you may depreciate your leasehold improvement costs. See Publication 535 for details.

In general, for costs incurred after 1986, you may no longer amortize real property construction period interest and taxes. Special rules apply for allocating interest to real or personal property produced in your trade or business. See Publication 535.

Line 31

If you have a loss, the amount of loss you can deduct this year may be limited. Go on to line 32 before entering your loss on line 31. If you answered "No" to Question J on Schedule C, also see **Form 8582**, Passive Activity Loss Limitations. Enter the net profit or deductible loss here and combine this amount with the profit or (loss) from your other businesses, if any. Enter the total on Form 1040, line 13, and Schedule SE, Part I, line 2 (or Form 1041, line 5, or Form 1041S, line 5).

Line 32

Deductions for losses by persons who are engaged in a trade or business or an activity for the production of income, including the holding of real property (other than mineral property), are limited to the amount they have at risk in the business.

If you have (1) a loss from any activity that you engaged in as a trade or business or for the production of income, including the holding of real property (other than mineral property) placed in service after December 31, 1986, and (2) you have amounts for which you are not at risk in the activity, use **Form 6198**, Computation of Deductible Loss From an Activity Described in Section 465(c), to determine the allowable loss.

Answer the question on line 32 "YES" if you have amounts for which you are not at risk for this business, such as the following:

1. nonrecourse loans used to finance your business, to acquire property used in your business, or to acquire your interest in the business, unless they are secured by property not used in your business or by real property used in an activity of holding real property;
2. amounts protected against loss by a guarantee, stop-loss agreement, or similar arrangement; or
3. loans from someone who has an interest in your business, other than as a creditor, or who is related, under section 465(b)(3)(C), to a person (other than yourself) having such an interest; or
4. amounts contributed to your business, or to your interest in the business that is covered by:

- nonrecourse loans or protected against loss by a guarantee, stop-loss agreement, or similar arrangement; or
- loans from a person described in 3 above.

If you do not have any of these kinds of amounts for which you are not at risk in this

business, answer the question "NO" and enter your loss on line 31 unless you answered "No" to Question J. In this case, you must complete Form 8582 to figure your allowable loss to enter on line 31.

If you answered "YES" to the question on line 32, get Form 6198 to determine the amount of your deductible loss and enter that amount on line 31 unless you answered "No" to Question J and your loss is further limited on Form 8582. If your at-risk amount is zero or less, enter zero on line 31. Be sure to attach Form 6198 to your return. If you answer "Yes" to the question on line 32 and you fail to attach Form 6198, processing of your tax return may be delayed.

If, in addition to the amount that you report on Schedule C, you dispose of an asset used in an activity to which the at-risk rules apply and you have amounts in the activity for which you are not at risk, see the instructions for Form 6198. Any loss from this business not allowed for 1987 because of the at-risk rules is treated as a deduction allocable to the business in 1988. For more details, get **Publication 925**.

Part III

Cost of Goods Sold and/or Operations

Beginning in 1987, certain expenses must be capitalized or included in inventory. See the instructions for Part II on page 32.

Cost of Goods Sold. If you engaged in a trade or business in which the production, purchase, or sale of merchandise was an income-producing factor, merchandise inventories must be taken into account at the beginning and end of your tax year.

Cost of Operations (Inventories Not an Income-Producing Factor). If the amount on line 2, Part I, includes the cost of operations, complete lines 1 through 8 of Part III as appropriate.

Instructions for Schedule SE

Social Security Self-Employment Tax

Purpose of Schedule

Schedule SE is used by self-employed persons and employees of electing churches and qualified church-controlled organizations to figure any self-employment tax due. The Social Security Administration uses the information provided on Schedule SE to figure benefits for self-employed people under the social security program. Social security self-employment tax applies regardless of your age, and even if you are receiving social security benefits.

Who Must Use Schedule SE

You must use Schedule SE if:

- you were self-employed and your net earnings from self-employment were \$400 or more (\$100 or more if you were an employee of an electing church or church-controlled organization); and

- you did not have wages (including tips), other than medicare qualified government wages of \$43,800 or more that were subject to social security tax or railroad retirement tax.

Who Can Use Schedule SE

You can use Schedule SE if you will benefit from using the optional method of figuring self-employment earnings.

The optional method may benefit you if:

- your self-employment earnings are less than \$400 and Form 1040, line 31, is less than \$15,432 and you want to claim the earned income credit; or
- you had a loss from self-employment and you need to increase your net earnings from self-employment to qualify to claim the child and dependent care credit.

The optional method may give you credit toward your social security coverage even though you have a loss or low income from self-employment. However, the optional method may require you to pay self-employment tax when none would otherwise be required.

Fiscal Year Filers

If your tax year is a fiscal year, you must use the tax rate and earnings base that apply at the time the fiscal year begins. The tax or earnings base for a fiscal year that overlaps the date of a rate or earnings base change is not prorated.

More Than One Business

If you farmed and had at least one other trade or business or had two or more trades or businesses, your net earnings from self-employment are the combined net earnings from all your businesses. If you had a loss in one trade or business, it reduces the income from another. Figure the combined self-employment tax on Schedule SE.

Joint Returns

Show the name of the spouse with self-employment income on Schedule SE. If both spouses have self-employment income, each must file a separate Schedule SE. Include the total profits or losses from all businesses on Form 1040, as appropriate. Then enter the combined self-employment tax on Form 1040, line 48.

Community Income

If any of the income from a business, including farming, is community income, all the income from that business is considered self-employment earnings of the spouse who carried on the trade or business unless there is a husband and wife partnership. The identity of the spouse who carried on the trade or business is determined by the facts in each situation.

If you and your spouse file separate returns, attach Schedule SE to the return of the spouse with the self-employment income. Also attach Schedule(s) C and/or Schedule(s) F. Community income included on these schedules must be divided, for income tax purposes, on the basis of the community property laws.

Partnerships

When figuring your combined net earnings from self-employment, include your share of partnership income or loss attributable to a trade or business and any guaranteed payments for personal services you received from your partnership. However, if you are a limited partner, only guaranteed payments

are included in self-employment income. Line 14a of Schedule K-1 (Form 1065) should show your net earnings or loss from self-employment.

If your partnership is engaged solely in the operation of a group investment program, earnings from the operation are not self-employment earnings for either the general or limited partner.

If a husband and wife are both partners in a partnership, each spouse is subject to self-employment tax on his or her own share of partnership income. Each spouse must file a Schedule SE for self-employment tax purposes and report the partnership income or loss on Schedule E (Form 1040), Part II, for income tax purposes.

Self-employment income belongs to the person who is the member of the partnership and cannot be treated as self-employment income by the nonmember spouse. This applies even in community property states.

If a partner in a continuing partnership dies, that member's distributive share of partnership ordinary income or loss for the year must be included in the partner's net earnings from self-employment. Get **Publication 533, Self-Employment Tax**, if your partnership has a fiscal year.

Share-Farming

If you produced crops or livestock on land belonging to another for a share of the crops or livestock produced, or the proceeds from them, you are an independent contractor and a self-employed person rather than an employee. Report your net earnings for income tax on Schedule F and for self-employment tax on Schedule SE. For more information, get **Publication 225, Farmer's Tax Guide**.

Exemption From Self-Employment Tax for Members of the Clergy and Certain Religious Orders and Sects

Income you received as a duly ordained, commissioned, or licensed minister of a church, a member of a religious order (but only if you are not under a vow of poverty), or a Christian Science practitioner is subject to social security self-employment tax unless you filed **Form 4361** and received IRS approval to exempt your ministerial earnings. If you have received IRS approval and have no other income subject to self-employment tax, write "Exempt—Form 4361" on Form 1040, line 48. If you filed Form 4361, but have \$400 or more from other earnings subject to self-employment tax, you must complete Schedule SE.

Note: The Tax Reform Act of 1986 provides a limited period in which to make an irrevocable election back into social security coverage. If you previously filed Form 4361 and received approval for exemption and now wish to elect back into coverage, file **Form 2031, Waiver Certificate for Use by Ministers, Certain Members of Religious Orders, and Christian Science Practitioners Electing Coverage Under the Social Security Act**.

If you have ever filed Form 2031 to elect social security coverage, you cannot apply for exemption now.

If you have conscientious objections to social security insurance because of your belief in the teachings of a recognized religious sect of which you are a member, you can request exemption from self-

employment tax by filing **Form 4029**. If you filed Form 4029 and have received IRS approval, do not file Schedule SE. Instead, write "Exempt—Form 4029" on Form 1040, line 48.

Coverage for Overseas Missionaries

If you are a U.S. citizen and a minister (except a Christian Science practitioner) or a member of a religious order serving outside the United States, you may figure earnings from self-employment as if you were serving in the United States (provided you have not elected exemption from coverage). For more information, get **Publication 517, Social Security for Members of the Clergy and Religious Workers**.

Employees of Churches and Qualified Church-Controlled Organizations

Note: If you are a minister or member of a religious order, do not use the following instructions.

If you were employed by a church or a qualified church-controlled organization that has in effect a certificate electing exemption from employer social security taxes, and you received wages of \$100 or more from any one church or church-controlled organization, you may be subject to self-employment tax. See line C of Schedule SE. If you also have medicare qualified government wages, you must use the worksheet for line 12b.

Note: Do not file Form 4029 with respect to wages you receive from a church or a church-controlled organization that has elected to treat its employees as self-employed.

U.S. Citizens Employed by Foreign Governments or International Organizations

You are subject to the self-employment tax if you are a U.S. citizen employed in the United States, Puerto Rico, Guam, American Samoa, the Northern Mariana Islands, or the Virgin Islands, by a foreign government, and in certain cases, by a wholly-owned instrumentality of a foreign government or by an international organization organized under the International Organizations Immunities Act. Report income from this employment on Schedule SE, line 2. If you are employed by a foreign government or an international organization in a country other than those listed, you are not subject to self-employment tax.

Self-Employed U.S. Citizens or Resident Aliens Living Outside the United States

If you are a self-employed U.S. citizen or resident alien living outside the United States, you are generally subject to the self-employment tax. Your foreign earnings from self-employment may be reduced by the deduction for certain foreign housing costs. However, you may not reduce your foreign earnings from self-employment by your foreign earned income exclusion.

Specific Instructions

Name of Self-Employed Person. Enter the name and social security number of the self-employed person as it appears on that person's social security card.

Part I Regular Computation of Net Earnings From Self-Employment

Generally, net earnings from self-employment is your net profit from a sole proprietorship operated by you and your distributions from a partnership. (See **Partnerships** on page 34 for when to include your share of partnership income or loss.) See the instructions below for income included or not included in net earnings from self-employment.

Lines 1 and 2.—Exclude from lines 1 and 2 any income or expense not included in figuring net earnings from self-employment and attach an explanation. If you are a partner, reduce lines 1 and 2 for any expense deduction for recovery property (section 179) claimed, oil or gas depletion, or unreimbursed partnership expenses.

If you deposited earnings into a capital construction fund established under the Merchant Marine Act of 1936, get **Publication 595, Tax Guide for Commercial Fishermen**, for more information.

If you are a duly ordained minister who is an employee of a church and you are subject to self-employment tax, the unreimbursed business expenses that you incurred in performing your services as an employee of the church are allowed only as an itemized deduction. They are deducted from your self-employment earnings in figuring your self-employment tax. However, special rules apply. For details, get **Publication 517**.

Income Not Included in Net Earnings From Self-Employment

- Salaries, fees, etc., subject to social security tax that you received for performing services as an employee, including services performed as a public official (except as a fee basis government employee as explained under **Other Income Included in Net Earnings From Self-Employment**) or as an employee or employee representative under the railroad retirement system.
- Income you received as a retired partner under a written partnership plan that provides for lifelong periodic retirement payments if you had no other interest in the partnership and did not perform services for it during the year.
- Real estate rentals, unless received in the course of a trade or business as a real estate dealer. These include cash and crop shares received from a tenant or sharefarmer. You should report these amounts on Schedule E, Part I.
- Dividends on shares of stock and interest on bonds, notes, etc., unless received in the course of your trade or business as a dealer in stocks or securities.
- Gain or loss from:
 - a. the sale or exchange of a capital asset;
 - b. the sale, exchange, involuntary conversion, or other disposition of property, unless the property is stock-in-trade or other property that would be includible in inventory, or held primarily for sale to customers in the ordinary course of the business; or
 - c. certain transactions in timber, coal, or domestic iron ore.
- Net operating losses from other years.

Other Income Included in Net Earnings From Self-Employment

• Rental income from a farm if the rental arrangement provides for material participation by the landlord and, as landlord, you participated materially in the production or management of the production of farm products on this land. This income is farm earnings. (To determine whether you participated materially in farm management or production, do not consider the activities of any agent who acted for you.)

• Cash or a payment in kind received from the Department of Agriculture for participation in a land diversion program.

• Payments for the use of rooms or other space, such as rooms in hotels, boarding houses, tourist camps, or homes, when substantial services are also provided.

• Payments you received for space in parking lots, trailer parks, warehouses, or storage garages.

• Income you received from the retail sale of newspapers and magazines if you are 18 or over and kept the profits.

• Income you received as a crew member of a fishing vessel with a crew of normally less than 10 individuals. Get Publication 595 for more information.

• Fees you received for services performed as a state or local government employee provided you are compensated solely on a fee basis and the position is not covered under a Federal-State social security coverage agreement.

• Interest received in the course of any trade or business, such as interest on notes or accounts receivable.

• The rental value of a home or an allowance for a home furnished you if you are a minister or a member of a religious order.

• The value of meals and lodging provided to you for the convenience of your employer if you are a minister or member of a religious order.

• Director's fees and other payments received by a director of a corporation for services as a director.

• Recapture amounts under sections 179 and 280F that were included in gross income because the business use of the property used in your trade or business dropped to 50% or less. (Do not include amounts recaptured on the disposition of property.) See **Form 4797**, Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions, for more information.

• Fiduciaries' fees received by professional fiduciaries. Also, nonprofessional fiduciaries if the fees relate to active participation in the operation of the estate's trade or business or the facts indicate the fiduciary manages an estate that requires extensive management activities over a long period of time.

Option and commodity dealers engaged in trading section 1256 contracts, see section 1402(i) to determine net earnings from self-employment.

Part II

Optional Method for Figuring Net Earnings From Farm Self-Employment

If your gross farm income for the year was not more than \$2,400, you can report two-

thirds of your gross farm income instead of your actual net earnings from farming.

If your gross farm income was more than \$2,400, and your net farm profits were less than \$1,600, you can report \$1,600 on line 4.

This method can be used to increase or decrease net farm earnings, even if the farming operation resulted in a loss. There is no limit on how many times you can elect this optional method. If you use this method, you must apply it to all farm earnings from self-employment for the year. You may change the method (from actual net to optional net or the reverse) after you file your return.

For a farm partnership, your share of gross income is figured according to the partnership agreement. With guaranteed payments for personal services, your share of the partnership's gross income is your guaranteed payment plus your share of the gross income after it is reduced by all guaranteed payments of the partnership. Limited partners should include only guaranteed payments.

Optional Method for Figuring Net Earnings From Nonfarm Self-Employment

You may be able to use an optional method to figure your net earnings from nonfarm self-employment if your net nonfarm profits are less than \$1,600 and less than two-thirds of your gross nonfarm income.

You may use this optional method if you are regularly self-employed or regularly a member of a partnership. You meet this requirement if you had actual net earnings from self-employment of \$400 or more (including your distributive share of the income or loss from any partnership of which you are a member) from nonfarm and farm businesses in at least 2 of the 3 years immediately before the year for which you use the nonfarm option.

You may report on line 6 two-thirds of your gross nonfarm income (but not more than \$1,600) as your net earnings from self-employment, **but you may not report less than your actual net earnings from nonfarm self-employment.**

For a nonfarm partnership, your share of gross income is figured according to the partnership agreement. With guaranteed payments for personal services, your share of the partnership's gross income is your guaranteed payment plus your share of the gross income after it is reduced by all guaranteed payments of the partnership. Limited partners should include only guaranteed payments.

The limit for the optional method for nonfarm self-employment is 5 years. The 5 years need not be consecutive.

Using Both Optional Methods

If you have both nonfarm and farm income, you may only use the nonfarm optional method if your actual net earnings from nonfarm self-employment are less than \$1,600. In all combined cases, your net nonfarm profits must be less than two-thirds of your gross nonfarm income to use the nonfarm option. If you qualify to use both options, you may report less than actual total net earnings from farm and nonfarm income, but not less than actual net earnings from nonfarm self-employment alone.

If you use both options to figure net earnings from self-employment, your maximum combined total of net earnings from self-employment for any tax year cannot be more than \$1,600.

Line 4

Enter the **smaller of**:

- two-thirds ($\frac{2}{3}$) of the total gross income from all Schedules F, line 12, and Schedules K-1 (Form 1065), line 14b; **or**
- \$1,600.

Line 6

Enter the **smallest of**:

- \$1,600; **or**
- two-thirds ($\frac{2}{3}$) of the total gross income from all Schedules C, line 5, plus your distributive share of gross income from all nonfarm partnerships, Schedules K-1 (Form 1065), line 14c; **or**
- the amount on line 5 if you also had farm income and elect the farm optional method.

Part III

Computation of Social Security Self-Employment Tax

Line 11a

Medicare Qualified Government Employment

If you are a Federal, state, or local government employee and your wages are subject **ONLY** to the 1.45% medicare (hospital insurance benefits) tax, do **NOT** include this pay as social security wages on Schedule SE, line 11a. Social security wages entered on line 11a are wages subject to the old-age, survivors, and disability insurance tax in addition to the medicare tax.

Note: Also see the instructions for Form 1040, line 60, to see if you should file Form 4469, Computation of Excess Medicare Tax Credit.

Figure your self-employment tax using the rate below line 13 if you do not have to use the worksheet below. Do not reduce the rate by the medicare tax rate.

If your pay is subject **ONLY** to the 1.45% medicare tax and your combined wages and self-employment earnings (lines 7, 8, 11c, 12b, and 12c of Schedule SE) are in excess of \$43,800, skip line 13 and complete the worksheet below. Medicare qualified government wages are your Federal, state, or local government wages that are subject **ONLY** to the 1.45% medicare tax.

Worksheet—Line 12b (Keep for your records)

1. Enter total of lines 7, 8, and 12c from Schedule SE **1.** _____
2. Enter line 12a from Schedule SE **2.** _____
3. Enter your medicare qualified government wages here and on line 12b of Schedule SE **3.** _____
4. Subtract line 3 from line 2. (If zero or less, enter -0-.) **4.** _____
5. Multiply the smaller of line 1 or line 2 by .0981. **5.** _____
6. Multiply the smaller of line 1 or line 4 by .0249. **6.** _____
7. Add lines 5 and 6. Enter on line 14 of Schedule SE and on Form 1040, line 48 **7.** _____

Instructions for Schedule F Farm Income and Expenses

Changes You Should Note

The Tax Reform Act of 1986 made a number of changes that may affect your 1987 return. Some of the changes include new rules for:

- Self-employed health insurance costs. See page 2.
- Passive activity losses. Beginning in 1987, your losses from passive activities are generally limited. See instructions for new line F.
- Capitalization costs of property. See instructions for new line G.
- Discharge of indebtedness. See the instructions for line 11.
- Prepaid expenses of cash basis taxpayers. See the instructions for Part II.
- Conservation expenses. See the instructions for line 15.
- Interest expense allocation. See the instructions for lines 23a and 23b.
- Travel, meal, and entertainment expenses. See page 2.

For more information on these and other changes, get **Publication 225**, Farmer's Tax Guide.

Purpose of Schedule

Use Schedule F to report farm income and expenses if you file Forms 1040, 1041, 1041S, or 1065. Please get **Publication 225** for additional information. It has samples of filled-in forms and schedules, and lists important dates that apply to farmers. You may also want to get **Publication 534**, Depreciation.

Files of Forms 1041, 1041S, and 1065. Do not complete the block labeled "Social security number (SSN)"; however, be sure to complete the block labeled "Employer ID number (Not SSN)."

If you were required to make estimated tax payments in 1987 and you underpaid your estimated tax, you may be charged a penalty. However, you will not be charged a penalty if you meet the following tests:

1. your gross farming or fishing income for 1986 or 1987 is at least two-thirds of your gross income, and
2. you file your 1987 tax return and pay the tax due by March 1, 1988.

For more details, see **Publication 225**.

Do not report the following income on Schedule F:

- Rent you received that was based on farm production or crop shares if you did not materially participate in the operation or management of the farm. Report this income on **Form 4835** and **Schedule E (Form 1040)**. It is not subject to self-employment tax. For more details, see **Publication 225**.

- Rent from your pasture land that is based on a flat charge. Report this income in Part I of Schedule E. However, report on line 11 of Schedule F pasture income received from taking care of someone else's livestock.

- Sales, exchanges, or involuntary conversions (other than casualties or thefts) of certain trade or business property. Report this income on **Form 4797**.

- Sales of livestock held for draft, breeding, sport, or dairy purposes. Report this income on **Form 4797**.

Use **Form 4684**, Casualties and Thefts, to report a casualty or theft involving farm business property, including livestock held for draft, breeding, sport, or dairy purposes.

Information Returns

You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, annuities, and pensions, or for sales by you of \$5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other basis for resale. For more information, get **Publication 916**, Information Returns.

In addition, if you receive cash of more than \$10,000 in one or more related transactions in the course of your farming business, you may have to file **Form 8300**.

Lines A and B

On line A, enter your principal crop or service for the current year.

On line B, enter one of the fifteen major agricultural activity codes listed in Part IV on page 2 of Schedule F. The code you select should represent the major farm activity from which you derive the largest amount of your income. **Field crop** pertains to the production of grains, such as wheat, rice, feed corn, soybeans, barley, rye, and lentils; and nongrains such as cotton, tobacco, sugar, and Irish potatoes. **Animal specialty** includes the raising of pets, laboratory animals, such as dogs, cats, bees, and snakes.

Line C

Under the **cash method**, you include all of your income in the year you actually get it. Generally, you deduct your expenses when you pay them. If you use the cash method, check the box labeled "cash" and complete Parts I and II of Schedule F.

Under the **accrual method**, you include your income in the year you earn it. It does not matter when you get it. You deduct your expenses when you incur them. If you use the accrual method, check the box labeled "accrual" and complete Parts II and III of Schedule F.

Other rules also apply that determine the timing of deductions based on economic performance. Get **Publication 538**, Accounting Periods and Methods, for details.

Line D

You need an employer ID number only if you had a Keogh plan, or you were required to

file an employment, excise, fiduciary, partnership, or alcohol, tobacco, or firearms tax return.

Line E

If you made an election to include Commodity Credit Corporation loan proceeds as income in the year you received the proceeds rather than reporting as income the proceeds from the sale of the commodities in the year sold or in the year of forfeiture, and you reported these loan proceeds as income in a prior year, check the box on line E. For information on how to make this election, see the instructions for line 8.

Line F

Beginning in 1987, generally you can deduct losses from passive activities only to the extent of income from passive activities. However, the new law provides exceptions for certain activities and it also contains phase-in rules for some losses. A passive activity generally is any activity involving the conduct of a trade or business in which you **DO NOT** "materially participate." You are considered to materially participate in an activity if you are involved on a regular, continuous, and substantial basis in the operation of the activity.

Note: *If you are a retired or disabled farmer, you are treated as materially participating in a farming business if you materially participated 5 of the 8 years preceding your retirement or disability. Also, a surviving spouse is treated as materially participating in a farming activity if the real property used in the activity meets the estate tax rules for special valuation of farm property passed from a qualifying decedent, and the surviving spouse actively manages the farm.*

For more details on passive activities, see **Passive Activity Losses** in the Schedule E instructions on page 28.

If you did not materially participate in the operation of your farming business, check the "No" box on line F. If you check "No" and you claim a loss for this business, you must complete **Form 8582**, Passive Activity Loss Limitations, to figure the amount of your allowable loss to enter on Schedule F, line 37.

Line G

Beginning in 1987, uniform capitalization rules apply if you produce real or tangible personal property or acquire property for resale. Under these rules, certain expenses must be included in inventory costs or capitalized. These expenses include the direct costs of the property and the share of any indirect costs that are allocable to that property. However, this rule generally does NOT apply to any plant or animal that is produced in your farming business and that has a preproductive period of 2 years or less. Also, these rules generally do not apply to expenses of replanting certain crops if they were lost or damaged by reason of disease, drought, or other casualty.

Even if the preproductive period of the plant or animal you produce is more than 2 years, you may elect not to have the capitalization rules apply. However, you may not make this election for the costs of planting or growing citrus or almond groves

that are incurred before the close of the fourth tax year beginning with the tax year you plant them in their permanent grove.

Note: This election may not be made by tax shelters, farm syndicates, or partnerships required to use the accrual method of accounting under Internal Revenue Code section 447. Also, this election cannot be made for the planting, cultivating, maintenance, or development of pistachio trees.

If you elect to currently deduct your preproductive period expenses, you will have to recapture these costs as ordinary income when you dispose of this property, and the alternative depreciation rules apply to property placed in service in any tax year in which your election is in effect. You must make this election in the first tax year after 1986 during which you engage in a farming business. You may not revoke this election without the consent of the Internal Revenue Service. For more information, see Publication 225.

If you are electing not to capitalize the preproductive period expenses, check the "Yes" box on line G.

Part I

Farm Income—Cash Method

In Part I show the income you received for the items listed on lines 1 through 11. Count both the cash you actually or constructively received and the fair market value of goods or other property you received for these items.

Income is constructively received when it is credited to your account or set aside for you to use.

If you ran the farm yourself and received rents based on farm production or crop shares, report these rents as income on line 4.

Sales of Livestock Because of Drought. If you sold livestock because of a drought, you can choose to count the income from the sale in the year after the drought, instead of the year of the sale. You can do this **IF**:

- your main business is farming, **AND**
- you can show that you sold the livestock only because of the drought, **AND**
- your area qualified for Federal aid.

Lines 1 and 2

On line 1, show the amount you received from sales of livestock and other items you bought for resale. On line 2, show the cost or other basis of the livestock and other items you actually sold.

Line 4

Show the amount you got from the sale of livestock, produce, grains, and other products you raised.

Lines 5a and 5b

If you received distributions from a cooperative in 1987, you should receive **Form 1099-PATR**, Statement for Recipients (Patrons) of Taxable Distributions Received From Cooperatives. On line 5a show your total distributions from cooperatives. This includes patronage dividends, nonpatronage dividends, per-unit retain allocations, and redemption of nonqualified notices and per-unit retain allocations.

Show patronage dividends you received in cash, and the dollar amount of qualified written notices of allocation. If you received property as patronage dividends, report the fair market value of the property as income. Include cash advances you received from a marketing cooperative. If you get per-unit retains in cash, show the amount of cash. If you get qualified per-unit retain certificates, show the stated dollar amount of the certificate.

You do not have to include as income patronage dividends from buying personal or family items, capital assets, or depreciable assets you use in your business.

Enter these amounts on line 5b. If you do not report patronage dividends from these items as income, you must subtract the amount of the dividend from the cost or other basis of these items.

Lines 7a and 7b

Enter on line 7a cash you got as price support payments, diversion payments, and cost-share payments (sight drafts).

On line 7b, show the amounts the Department of Agriculture paid for materials, such as fertilizer or lime, or services, such as grading or constructing dams.

Line 8

Generally, you report income from a crop in the year you sell it. However, if you pledge part or all of your production to secure a Commodity Credit Corporation loan, you may elect to report the loan proceeds as income in the year you receive them rather than reporting the income in the year of sale. If you make this election for loan proceeds received in 1987, report them on line 8 and attach a statement to your return showing the details of the loan.

If you receive a commodity credit loan and forfeit it in the same year, you must report the loan proceeds as income in the year received. If you forfeit the loan in a subsequent year and you did not elect to report the loan proceeds as income in the year received, you must report the loan proceeds in the year of forfeiture.

If you elected to report loan proceeds as income in the year received and 1987 is the year of sale or the year of forfeiture, check the box on line E.

For additional information on commodity credit loans, see Publication 225.

Line 9

In general, you must report crop insurance proceeds in the year you receive them. However, you may choose to include crop insurance proceeds (and certain disaster payments) in income in the tax year after the year of damage. If you make this election, you must attach a statement to your return for the year the damage took place. See Publication 225 for information on what you must include in your statement.

If you received crop insurance proceeds in 1987 and you elect to include these proceeds in income in the year following the damage, check the box on line 9.

Line 10

Enter on this line the income you received for machine work (custom hire).

Line 11

Use this line to report income other than that shown on lines 1 through 10. For example, include the following income items on line 11.

- Barter income.
- Income from discharge of indebtedness. Generally, if a debt is cancelled or forgiven, you must include the cancelled debt in income. However, the new law allows certain solvent farmers to exclude from income discharged qualified farm indebtedness. For information on whether you must include in income any discharge of indebtedness, see Publication 225.
- State gasoline tax refund you got in 1987.
- The amount of credit for Federal tax on gasoline or other fuel claimed on your 1986 Form 1040.
- The amount of credit for alcohol used as a fuel that was entered on **Form 6478**.

Report the sale of commodity futures contracts on this line if they were made to protect you from price changes. These are a form of business insurance and are considered hedges. Enter any profit on line 11. If you had a loss in a closed futures contract, show it as a minus amount.

Caution: For property acquired and hedging positions established, you must clearly identify on your books and records that the transaction was a hedging transaction.

Purchase or sales contracts are not true hedges if they offset losses that already happened. If you bought or sold commodity futures with the hope of making a profit due to favorable price changes, do not report the profit or loss on this line. Report the gain or loss on **Form 6781**.

Part II

Farm Deductions

Do not deduct:

- Personal or living expenses (such as taxes, insurance, or repairs on your home) that do not produce farm income.
- Expenses of raising anything you or your family used.
- The value of animals you raised that died.
- Loss of inventory.
- Personal losses.

If you were repaid for any part of an expense, you must subtract the amount you were repaid from the deduction.

Note: New rules apply that require certain costs to be capitalized if you produced real or tangible personal property, or acquired property held for resale. Special rules apply to the capitalization of interest and certain farm costs. See the instructions for line G for more details.

Prepaid farming expenses. Generally, if you use the cash method of accounting, your expenses for feed, seed, fertilizer, other farm supplies, and the cost of poultry are deductible only in the year in which you actually use them. The cost of poultry bought for use in the business must be spread over the lesser of 12 months or the useful life of the poultry. The cost of poultry bought for resale is deductible in the year in which the poultry is sold or otherwise disposed of. If you use the cash method, this rule applies if your prepaid expenses

are more than 50% of your other deductible farming expenses. For an exception to this rule and additional information on prepaid expenses, see Publication 225.

Farming syndicates. A farming syndicate may be a partnership, any other noncorporate group, or an S corporation, if:

- a. the interests in the business have ever been for sale in a way that would require registration with any Federal or state agency, or
- b. more than 35% of the loss during any tax year is spread between limited partners or limited entrepreneurs. (A limited partner is one who can lose only the amount invested in the partnership; a limited entrepreneur is a person who does not take any active part in managing the business.)

If you are a farming syndicate, you cannot use the cash method of accounting.

Line 15

Beginning in 1987, you can deduct what you spent to conserve soil or water, or to prevent erosion of your land only if the expenses are consistent with a conservation plan approved by the Soil Conservation Service (SCS) of the Department of Agriculture for the area in which your land is located. If no plan exists, the expenses must be consistent with a plan of a comparable state agency. You must attach **Form 8645**, Soil and Water Conservation Plan Certification, to your return if you claim this deduction.

Also, beginning in 1987, any expenses you pay or incur to drain or fill wetlands or to prepare land for center pivot irrigation systems are no longer deductible.

Do not deduct more than 25% of your gross income from farming (excluding certain gains from selling assets such as farm machinery and land). If your conservation expenses are more than the limit, you can carry the excess over to following years.

Line 16

You can deduct depreciation of buildings, improvements, cars and trucks, machinery, and other farm equipment of a permanent nature.

Do not deduct depreciation on your home, furniture, or other personal items, land, livestock you bought or raised for resale, or other property in your inventory.

You may also choose under section 179 to expense a portion of the cost of certain depreciable property you bought in 1987 for use in your business. Figure your depreciation deduction, including the section 179 expense deduction, on **Form 4562**, Depreciation and Amortization. Enter on line 16 of Schedule F the amount from **Form 4562**, Part I.

The depreciation deduction for cars, including any section 179 deduction, is limited. For example, if you placed a car in service in 1987, your deduction is limited to \$2,560. The allowable amounts are further limited if your business use is less than 100%. In general, for cars or other "listed property," you may not take a section 179 deduction if the property is used 50% or less in your trade or business. If you claim depreciation for any listed property, you must complete Part III of **Form 4562**. See

the instructions for **Form 4562** and **Publication 534**, Depreciation, for details.

If you have listed property (such as a car or light truck) that you placed in service after June 18, 1984, for which you claimed a depreciation deduction, and the business use percentage of the property decreased to 50% or less during 1987, you may have to recapture excess depreciation, including any section 179 expense deduction. Get **Form 4797** and its instructions for details.

If you took an investment credit on property that you dispose of before the end of its class life or life years, the business use percentage decreases, or the use of the property otherwise changes so that it no longer qualifies, you may have to refigure the credit. Get **Form 4255**, Recapture of Investment Credit, for details.

Line 17

Enter any amounts you paid to programs for your employees that are not a part of the plans on line 26. Examples are insurance, health, and welfare programs. Do not include here amounts paid for yourself or your family.

Line 18

Generally, you cannot currently deduct expenses for feed to be consumed by your livestock in a later tax year. See **Prepaid farming expenses**, earlier.

Line 20

Do not include as freight paid the cost of transportation incurred in purchasing livestock held for resale. Instead, add these costs to the cost of the livestock, and deduct them when the livestock are sold.

Line 22

Enter only the amount of premiums for fire, storm, crop, and theft insurance for this year for your farm business assets. Do not include insurance on personal assets, or medical, health, or disability insurance on yourself or your family.

Lines 23a and 23b

Interest allocation rules. The tax treatment of interest expense differs depending on its type (for example, personal interest, home mortgage interest, and investment interest). Beginning in 1987, new "interest allocation" rules apply that require you to allocate (classify) your interest expense so that it is deducted on the proper place of your tax return and receives the proper tax treatment. These rules could affect how much interest you deduct on Schedule F.

Generally, you allocate your interest expense by tracing how the proceeds of the loan are used. See **Publications 535** and **545** for more information, including special transitional rules that may require you to attach statements to your return.

If you paid interest on a debt secured by your principal home, and any of the proceeds from that debt were used in connection with your farming business, you may have to complete **Form 8598**, Home Mortgage Interest, to figure the interest that is deductible on Schedules A and F. However, you may elect to treat that debt as not secured by your principal home. See **Publication 545** for details.

If you have a mortgage on your real property used in your farming business (other than your principal residence), enter on line 23a the interest you paid for 1987 to financial institutions. If you paid \$600 or more of interest on this mortgage, you should receive **Form 1098**, Mortgage Interest Statement, or similar statement, showing the total interest received from you during 1987. You should receive this statement by February 1, 1988. If you and at least one other person (other than your spouse if you file a joint return) were liable for, and paid interest on, the mortgage, and the other person received the **Form 1098**, attach a statement to your return showing the name and address of the person who received the **Form 1098**. In the left margin, next to line 23a, write "see attached."

If you paid more mortgage interest than is shown on **Form 1098**, or similar statement, see **Publication 545** to see if you can deduct the additional interest. If you can, attach a statement to your return explaining the difference and write "see attached" in the left margin next to line 23a.

On line 23b, enter the interest on other loans related to this farm. If you prepaid interest in 1987 for years after 1987, include only the part that applies to 1987.

Lines 24a and 24b

Enter the amount you paid for farm labor. You can count the cost of boarding farm labor but not the value of any products they used from the farm. You can count only what you paid household help to care for farm laborers. Do not count the value of your own or your family's labor.

Caution: If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as farm labor the amount applicable to depreciation and other expenses claimed elsewhere.

Enter on line 24b the jobs credit from **Form 5884**. Get **Publication 572**, General Business Credit, for information on the jobs credit.

Line 25

Enter what you paid to rent machinery used on your farm.

Line 26

Enter the amount you paid to pension, profit-sharing, or annuity plans for your employees. If the plan included you as an owner-employee, see the instructions for Schedule C, line 21, on page 33. Enter the amount you paid for yourself on **Form 1040**, line 26.

Line 27

Enter what you paid to rent pasture or farm land.

Line 28

Enter what you paid for repairs and upkeep of farm buildings (but not your home), machinery, and equipment. You can also include what you paid for tools of short life or small cost, such as shovels and rakes.

Line 32

You can deduct the following taxes:

- Real estate and personal property taxes on farm business assets.

- Social security taxes you paid to match what you are required to withhold from farm employees' wages and any Federal unemployment tax paid.
- Federal highway use tax.

Do not deduct:

- Federal income taxes.
- Estate and gift taxes.
- Taxes assessed to pay for improvements, such as paving and sewers.
- Taxes on your home or personal property.
- State and local sales taxes (these taxes are treated as part of the cost of the property).
- Other taxes not related to the farm business.

Line 33

Enter what you paid for gas, electricity, water, etc., for business use on the farm. Do not include personal utilities.

Lines 35a through 35c

Enter expenses not listed on another line, such as:

- Office supplies.
- Advertising.
- Any loss from this activity that was not allowed as a deduction last year because of the at-risk provisions. This is treated as a deduction allocable to this activity in 1987.
- Amortization of qualifying forestation and reforestation costs over an 84-month period.
- Amortization of certain business startup costs over a period of at least 60 months.

Use **Form 4562**, Depreciation and Amortization, to figure your amortization deduction. Include on line 35 of Schedule F the amount of the deduction from Form 4562, Part II.

For more information on amortization, get **Publication 535**.

- Bad Debts. Include debts and partial debts arising from sales that were included in income and are definitely known to be worthless. **Caution:** *Cash method taxpayers are not entitled to a bad debt deduction unless the amount was previously included in income.*

If you later collect a debt that you deducted as a bad debt, include it as income in the year you collect it.

Note: *Beginning in 1987, you can no longer use the reserve method for figuring bad debt deductions. If you maintained a reserve for 1986, you must change to the specific charge-off method for 1987. Also, starting in 1987, you must include the balance remaining in the reserve account as income ratably over a four-year period.*

For more information, please get **Publication 548**, Deduction for Bad Debts.

- Car and truck expenses. You can deduct the actual cost of running your car or truck, or take the standard mileage rate.

Note: *If you claim any car or truck expenses (actual costs or the standard mileage rate), you must complete Part III of Form 4562.*

The standard rate is 22½ cents a mile up to 15,000 miles, and 11 cents a mile for each mile after that. If you use more than one vehicle for business, you must use the actual cost. If you use the vehicle for both personal and farm purposes, show only the miles (or costs) which apply to farming.

For vehicles that have been fully depreciated, the rate is 11 cents a mile.

If you use the standard rate, the vehicle is considered to have a useful life of 60,000 miles of business use at the maximum standard mileage rate.

For more details, get **Publication 917**, Business Use of a Car.

Note: *If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a Federal highway use tax on these vehicles. Get Form 2290, Heavy Vehicle Use Tax Return, to see if you are subject to the tax.*

Line 37

If you have a loss, the amount of loss you can deduct this year may be limited. Go on to line 38 before entering your loss on line 37. If you answered "No" to Question F on Schedule F, also see **Form 8582**, Passive Activity Loss Limitations. Enter the net profit or deductible loss here and on Form 1040, line 18, and Schedule SE, Part I, line 1 (or Form 1041, line 5, or Form 1041S, line 5). Partnerships should stop here and enter the profit or loss on this line and on Form 1065, line 5.

Line 38

If you have (1) a loss from any farming activity that you engaged in as a trade or business or for the production of income, including the holding of real property (other than mineral property) placed in service after December 31, 1986, and (2) you have amounts for which you are not at risk in the activity, use **Form 6198**, Computation of Deductible Loss From an Activity Described in Section 465(c), to determine the allowable loss.

Answer the question on line 38 "YES" if you have any amounts for which you are not at risk for this farm such as the following:

1. nonrecourse loans used to finance the activity, to acquire property used in the activity, or to acquire your interest in the activity, unless they are secured by property not used in the activity or by real property;
2. amounts protected against loss by a guarantee, stop-loss agreement, or similar arrangement; or
3. loans from someone who has an interest in the activity, other than as a creditor, or

who is related, under section 465(b)(3)(C), to a person (other than yourself) having such an interest; or

4. amounts contributed to the activity, or to your interest in the activity that is covered by:

- nonrecourse loans or protected against loss by a guarantee, stop-loss agreement, or similar arrangement, or
- loans from a person described in 3 above.

If you do not have any of these kinds of amounts for which you are not at risk in this business, then answer the question "NO" and enter your loss on line 37 unless you answered "No" to Question F. In this case, you must complete Form 8582 to figure your allowable loss to enter on line 37.

If you answered "YES" to the question on line 38, get Form 6198 to determine the amount of deductible loss and enter that amount on line 37 unless you answered "No" to Question F and your loss is further limited on Form 8582. If your at-risk amount is zero or less, enter zero on line 37. Be sure to attach Form 6198 to your return. If you answer "Yes" to the question on line 38 and you fail to attach Form 6198, processing of your return may be delayed.

If, in addition to the amount that you report on Schedule F, you sell or otherwise dispose of (1) an asset used in an activity to which the at-risk rules apply, or (2) any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, see the instructions for Form 6198.

Any loss from this activity not allowed for 1987 because of the at-risk rules is treated as a deduction allocable to the activity in 1988.

For more details, get **Publication 925**, Passive Activity and At-Risk Rules. Also see the instructions for Form 6198.

Part III

Farm Income—Accrual Method

If you use the accrual method, report farm income when you earn it, not when you receive it. Generally, you must inventory your animals and crops if you use this method. Get **Publication 538**, Accounting Periods and Methods, for exceptions, inventory methods, how to change methods of accounting, and for new rules that require certain costs to be capitalized or included in inventory.

Line 39

Enter the amount you got from the sales of livestock, produce, grains, and other products you raised.

Lines 40a through 45

See instructions for Part I, lines 5, 7, 8, 10, and 11.

1987 Tax Table

Based on Taxable Income

For persons with taxable incomes of less than \$50,000.

Example: Mr. and Mrs. Brown are filing a joint return. Their taxable income on line 36 of Form 1040 is \$25,325. First, they find the \$25,300-\$25,350 income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the income line and filing status column meet is \$3,679. This is the tax amount they must write on line 37 of their return.

At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
25,200	25,250	4,807	3,664	5,374	3,973
25,250	25,300	4,821	3,671	5,391	3,987
25,300	25,350	4,835	3,679	5,409	4,001
25,350	25,400	4,849	3,686	5,426	4,015

If line 36 (taxable income) is—		And you are—				If line 36 (taxable income) is—		And you are—				If line 36 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
\$0	\$5	\$0	\$0	\$0	\$0	1,400	1,425	155	155	155	155	2,700	2,725	335	298	347	307
5	15	1	1	1	1	1,425	1,450	158	158	158	158	2,725	2,750	339	301	351	311
15	25	2	2	2	2	1,450	1,475	161	161	161	161	2,750	2,775	342	304	354	314
25	50	4	4	4	4	1,475	1,500	164	164	164	164	2,775	2,800	346	307	358	318
50	75	7	7	7	7	1,500	1,525	166	166	167	166	2,800	2,825	350	309	362	322
75	100	10	10	10	10	1,525	1,550	169	169	171	169	2,825	2,850	354	312	366	326
100	125	12	12	12	12	1,550	1,575	172	172	174	172	2,850	2,875	357	315	369	329
125	150	15	15	15	15	1,575	1,600	175	175	178	175	2,875	2,900	361	318	373	333
150	175	18	18	18	18	1,600	1,625	177	177	182	177	2,900	2,925	365	320	377	337
175	200	21	21	21	21	1,625	1,650	180	180	186	180	2,925	2,950	369	323	381	341
200	225	23	23	23	23	1,650	1,675	183	183	189	183	2,950	2,975	372	326	384	344
225	250	26	26	26	26	1,675	1,700	186	186	193	186	2,975	3,000	376	329	388	348
250	275	29	29	29	29	1,700	1,725	188	188	197	188	3,000					
275	300	32	32	32	32	1,725	1,750	191	191	201	191	3,000	3,050	382	334	394	354
300	325	34	34	34	34	1,750	1,775	194	194	204	194	3,050	3,100	389	341	401	361
325	350	37	37	37	37	1,775	1,800	197	197	208	197	3,100	3,150	397	349	409	369
350	375	40	40	40	40	1,800	1,825	200	199	212	199	3,150	3,200	404	356	416	375
375	400	43	43	43	43	1,825	1,850	204	202	216	202	3,200	3,250	412	364	424	384
400	425	45	45	45	45	1,850	1,875	207	205	219	205	3,250	3,300	419	371	431	391
425	450	48	48	48	48	1,875	1,900	211	208	223	208	3,300	3,350	427	379	439	399
450	475	51	51	51	51	1,900	1,925	215	210	227	210	3,350	3,400	434	386	446	406
475	500	54	54	54	54	1,925	1,950	219	213	231	213	3,400	3,450	442	394	454	414
500	525	56	56	56	56	1,950	1,975	222	216	234	216	3,450	3,500	449	401	461	421
525	550	59	59	59	59	1,975	2,000	226	219	238	219	3,500	3,550	457	409	469	429
550	575	62	62	62	62	2,000				3,550	3,600	464	416	476	476	436	
575	600	65	65	65	65	2,000	2,025	230	221	242	221	3,600	3,650	472	424	484	444
600	625	67	67	67	67	2,025	2,050	234	224	246	224	3,650	3,700	479	431	491	451
625	650	70	70	70	70	2,050	2,075	237	227	249	227	3,700	3,750	487	439	499	459
650	675	73	73	73	73	2,075	2,100	241	230	253	230	3,750	3,800	494	446	506	466
675	700	76	76	76	76	2,100	2,125	245	232	257	232	3,800	3,850	502	454	514	474
700	725	78	78	78	78	2,125	2,150	249	235	261	235	3,850	3,900	509	461	521	481
725	750	81	81	81	81	2,150	2,175	252	238	264	238	3,900	3,950	517	469	529	489
750	775	84	84	84	84	2,175	2,200	256	241	268	241	3,950	4,000	524	476	536	496
775	800	87	87	87	87	2,200	2,225	260	243	272	243	4,000					
800	825	89	89	89	89	2,225	2,250	264	246	276	246	4,000	4,050	532	484	544	504
825	850	92	92	92	92	2,250	2,275	267	249	279	249	4,050	4,100	539	491	551	511
850	875	95	95	95	95	2,275	2,300	271	252	283	252	4,100	4,150	547	499	559	519
875	900	98	98	98	98	2,300	2,325	275	254	287	254	4,150	4,200	554	506	566	526
900	925	100	100	100	100	2,325	2,350	279	257	291	257	4,200	4,250	562	514	574	534
925	950	103	103	103	103	2,350	2,375	282	260	294	260	4,250	4,300	569	521	581	541
950	975	106	106	106	106	2,375	2,400	286	263	298	263	4,300	4,350	577	529	589	549
975	1,000	109	109	109	109	2,400	2,425	290	265	302	265	4,350	4,400	584	536	596	556
						2,425	2,450	294	268	306	268	4,400	4,450	592	544	604	564
						2,450	2,475	297	271	309	271	4,450	4,500	599	551	611	571
						2,475	2,500	301	274	313	274	4,500	4,550	607	559	619	579
						2,500	2,525	305	276	317	277	4,550	4,600	614	566	626	586
						2,525	2,550	309	279	321	281	4,600	4,650	622	574	634	594
						2,550	2,575	312	282	324	284	4,650	4,700	629	581	641	601
						2,575	2,600	316	285	328	288	4,700	4,750	637	589	649	609
						2,600	2,625	320	287	332	292	4,750	4,800	644	596	656	616
						2,625	2,650	324	290	336	296	4,800	4,850	652	604	664	624
						2,650	2,675	327	293	339	299	4,850	4,900	659	611	671	631
						2,675	2,700	331	296	343	303	4,900	4,950	667	619	679	639
												4,950	5,000	674	626	686	646

* This column must also be used by a qualifying widow(er).

Continued on next page

1987 Tax Table—Continued

Table with columns for tax brackets (e.g., 5,000, 6,000, 7,000, 8,000, 9,000, 10,000, 11,000, 12,000, 13,000), marital status (Single, Married filing jointly, Married filing separately, Head of a household), and tax amounts. Includes a note: '* This column must also be used by a qualifying widow(er).'

Continued on next page

1987 Tax Table—Continued

If line 36 (taxable income) is—		And you are—				If line 36 (taxable income) is—		And you are—				If line 36 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
23,000						26,000						29,000					
23,000	23,050	4,191	3,334	4,604	3,357	26,000	26,050	5,031	3,784	5,654	4,197	29,000	29,050	6,013	4,367	6,704	5,037
23,050	23,100	4,205	3,341	4,621	3,371	26,050	26,100	5,045	3,791	5,671	4,211	29,050	29,100	6,030	4,381	6,721	5,051
23,100	23,150	4,219	3,349	4,639	3,385	26,100	26,150	5,059	3,799	5,689	4,225	29,100	29,150	6,048	4,395	6,739	5,065
23,150	23,200	4,233	3,356	4,656	3,399	26,150	26,200	5,073	3,806	5,706	4,239	29,150	29,200	6,065	4,409	6,756	5,079
23,200	23,250	4,247	3,364	4,674	3,413	26,200	26,250	5,087	3,814	5,724	4,253	29,200	29,250	6,083	4,423	6,774	5,093
23,250	23,300	4,261	3,371	4,691	3,427	26,250	26,300	5,101	3,821	5,741	4,267	29,250	29,300	6,100	4,437	6,791	5,107
23,300	23,350	4,275	3,379	4,709	3,441	26,300	26,350	5,115	3,829	5,759	4,281	29,300	29,350	6,118	4,451	6,809	5,121
23,350	23,400	4,289	3,386	4,726	3,455	26,350	26,400	5,129	3,836	5,776	4,295	29,350	29,400	6,135	4,465	6,826	5,135
23,400	23,450	4,303	3,394	4,744	3,469	26,400	26,450	5,143	3,844	5,794	4,309	29,400	29,450	6,153	4,479	6,844	5,149
23,450	23,500	4,317	3,401	4,761	3,483	26,450	26,500	5,157	3,851	5,811	4,323	29,450	29,500	6,170	4,493	6,861	5,163
23,500	23,550	4,331	3,409	4,779	3,497	26,500	26,550	5,171	3,859	5,829	4,337	29,500	29,550	6,188	4,507	6,879	5,177
23,550	23,600	4,345	3,416	4,796	3,511	26,550	26,600	5,185	3,866	5,846	4,351	29,550	29,600	6,205	4,521	6,896	5,191
23,600	23,650	4,359	3,424	4,814	3,525	26,600	26,650	5,199	3,874	5,864	4,365	29,600	29,650	6,223	4,535	6,914	5,205
23,650	23,700	4,373	3,431	4,831	3,539	26,650	26,700	5,213	3,881	5,881	4,379	29,650	29,700	6,240	4,549	6,931	5,219
23,700	23,750	4,387	3,439	4,849	3,553	26,700	26,750	5,227	3,889	5,899	4,393	29,700	29,750	6,258	4,563	6,949	5,233
23,750	23,800	4,401	3,446	4,866	3,567	26,750	26,800	5,241	3,896	5,916	4,407	29,750	29,800	6,275	4,577	6,966	5,247
23,800	23,850	4,415	3,454	4,884	3,581	26,800	26,850	5,255	3,904	5,934	4,421	29,800	29,850	6,293	4,591	6,984	5,261
23,850	23,900	4,429	3,461	4,901	3,595	26,850	26,900	5,269	3,911	5,951	4,435	29,850	29,900	6,310	4,605	7,001	5,275
23,900	23,950	4,443	3,469	4,919	3,609	26,900	26,950	5,283	3,919	5,969	4,449	29,900	29,950	6,328	4,619	7,019	5,289
23,950	24,000	4,457	3,476	4,936	3,623	26,950	27,000	5,297	3,926	5,986	4,463	29,950	30,000	6,345	4,633	7,036	5,303
24,000						27,000						30,000					
24,000	24,050	4,471	3,484	4,954	3,637	27,000	27,050	5,313	3,934	6,004	4,477	30,000	30,050	6,363	4,647	7,054	5,317
24,050	24,100	4,485	3,491	4,971	3,651	27,050	27,100	5,330	3,941	6,021	4,491	30,050	30,100	6,380	4,661	7,071	5,331
24,100	24,150	4,499	3,499	4,989	3,665	27,100	27,150	5,348	3,949	6,039	4,505	30,100	30,150	6,398	4,675	7,089	5,345
24,150	24,200	4,513	3,506	5,006	3,679	27,150	27,200	5,365	3,956	6,056	4,519	30,150	30,200	6,415	4,689	7,106	5,359
24,200	24,250	4,527	3,514	5,024	3,693	27,200	27,250	5,383	3,964	6,074	4,533	30,200	30,250	6,433	4,703	7,124	5,373
24,250	24,300	4,541	3,521	5,041	3,707	27,250	27,300	5,400	3,971	6,091	4,547	30,250	30,300	6,450	4,717	7,141	5,387
24,300	24,350	4,555	3,529	5,059	3,721	27,300	27,350	5,418	3,979	6,109	4,561	30,300	30,350	6,468	4,731	7,159	5,401
24,350	24,400	4,569	3,536	5,076	3,735	27,350	27,400	5,435	3,986	6,126	4,575	30,350	30,400	6,485	4,745	7,176	5,415
24,400	24,450	4,583	3,544	5,094	3,749	27,400	27,450	5,453	3,994	6,144	4,589	30,400	30,450	6,503	4,759	7,194	5,429
24,450	24,500	4,597	3,551	5,111	3,763	27,450	27,500	5,470	4,001	6,161	4,603	30,450	30,500	6,520	4,773	7,211	5,443
24,500	24,550	4,611	3,559	5,129	3,777	27,500	27,550	5,488	4,009	6,179	4,617	30,500	30,550	6,538	4,787	7,229	5,457
24,550	24,600	4,625	3,566	5,146	3,791	27,550	27,600	5,505	4,016	6,196	4,631	30,550	30,600	6,555	4,801	7,246	5,471
24,600	24,650	4,639	3,574	5,164	3,805	27,600	27,650	5,523	4,024	6,214	4,645	30,600	30,650	6,573	4,815	7,264	5,485
24,650	24,700	4,653	3,581	5,181	3,819	27,650	27,700	5,540	4,031	6,231	4,659	30,650	30,700	6,590	4,829	7,281	5,499
24,700	24,750	4,667	3,589	5,199	3,833	27,700	27,750	5,558	4,039	6,249	4,673	30,700	30,750	6,608	4,843	7,299	5,513
24,750	24,800	4,681	3,596	5,216	3,847	27,750	27,800	5,575	4,046	6,266	4,687	30,750	30,800	6,625	4,857	7,316	5,527
24,800	24,850	4,695	3,604	5,234	3,861	27,800	27,850	5,593	4,054	6,284	4,701	30,800	30,850	6,643	4,871	7,334	5,541
24,850	24,900	4,709	3,611	5,251	3,875	27,850	27,900	5,610	4,061	6,301	4,715	30,850	30,900	6,660	4,885	7,351	5,555
24,900	24,950	4,723	3,619	5,269	3,889	27,900	27,950	5,628	4,069	6,319	4,729	30,900	30,950	6,678	4,899	7,369	5,569
24,950	25,000	4,737	3,626	5,286	3,903	27,950	28,000	5,645	4,076	6,336	4,743	30,950	31,000	6,695	4,913	7,386	5,583
25,000						28,000						31,000					
25,000	25,050	4,751	3,634	5,304	3,917	28,000	28,050	5,663	4,087	6,354	4,757	31,000	31,050	6,713	4,927	7,404	5,597
25,050	25,100	4,765	3,641	5,321	3,931	28,050	28,100	5,680	4,101	6,371	4,771	31,050	31,100	6,730	4,941	7,421	5,611
25,100	25,150	4,779	3,649	5,339	3,945	28,100	28,150	5,698	4,115	6,389	4,785	31,100	31,150	6,748	4,955	7,439	5,625
25,150	25,200	4,793	3,656	5,356	3,959	28,150	28,200	5,715	4,129	6,406	4,799	31,150	31,200	6,765	4,969	7,456	5,639
25,200	25,250	4,807	3,664	5,374	3,973	28,200	28,250	5,733	4,143	6,424	4,813	31,200	31,250	6,783	4,983	7,474	5,653
25,250	25,300	4,821	3,671	5,391	3,987	28,250	28,300	5,750	4,157	6,441	4,827	31,250	31,300	6,800	4,997	7,491	5,667
25,300	25,350	4,835	3,679	5,409	4,001	28,300	28,350	5,768	4,171	6,459	4,841	31,300	31,350	6,818	5,011	7,509	5,681
25,350	25,400	4,849	3,686	5,426	4,015	28,350	28,400	5,785	4,185	6,476	4,855	31,350	31,400	6,835	5,025	7,526	5,695
25,400	25,450	4,863	3,694	5,444	4,029	28,400	28,450	5,803	4,199	6,494	4,869	31,400	31,450	6,853	5,039	7,544	5,709
25,450	25,500	4,877	3,701	5,461	4,043	28,450	28,500	5,820	4,213	6,511	4,883	31,450	31,500	6,870	5,053	7,561	5,723
25,500	25,550	4,891	3,709	5,479	4,057	28,500	28,550	5,838	4,227	6,529	4,897	31,500	31,550	6,888	5,067	7,579	5,737
25,550	25,600	4,905	3,716	5,496	4,071	28,550	28,600	5,855	4,241	6,546	4,911	31,550	31,600	6,905	5,081	7,596	5,751
25,600	25,650	4,919	3,724	5,514	4,085	28,600	28,650	5,873	4,255	6,564	4,925	31,600	31,650	6,923	5,095	7,614	5,765
25,650	25,700	4,933	3,731	5,531	4,099	28,650	28,700	5,890	4,269	6,581	4,939	31,650	31,700	6,940	5,109	7,631	5,779
25,700	25,750	4,947	3,739	5,549	4,113	28,700	28,750	5,908	4,283	6,599	4,953	31,700	31,750	6,958	5,123	7,649	5,793
25,750	25,800	4,961	3,746	5,566	4,127	28,750	28,800	5,925	4,297	6,616	4,967	31,750	31,800	6,975	5,137	7,666	5,807
25,800	25,850	4,975	3,754	5,584	4,141	28,800	28,850	5,943	4,311	6,634	4,981	31,800	31,850	6,993	5,151	7,684	5,821
25,850	25,900	4,989	3,761	5,601	4,155	28,850	28,900	5,960	4,325	6,651	4,995	31,850	31,900	7,010	5,165	7,701	5,835
25,900	25,950	5,003	3,769	5,619	4,169	28,900	28,950	5,978	4,339	6,669	5,009	31,900	31,950	7,028	5,179	7,719	5,849
25,950	26,000	5,017	3,776	5,636	4,183	28,950	29,000	5,995	4,353	6,686							

1987 Tax Table—Continued

If line 36 (taxable income) is—		And you are—				If line 36 (taxable income) is—		And you are—				If line 36 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
32,000						35,000						38,000					
32,000	32,050	7,063	5,207	7,754	5,877	35,000	35,050	8,113	6,047	8,804	6,717	38,000	38,050	9,163	6,887	9,854	7,559
32,050	32,100	7,080	5,221	7,771	5,891	35,050	35,100	8,130	6,061	8,821	6,731	38,050	38,100	9,180	6,901	9,871	7,576
32,100	32,150	7,098	5,235	7,789	5,905	35,100	35,150	8,148	6,075	8,839	6,745	38,100	38,150	9,198	6,915	9,889	7,594
32,150	32,200	7,115	5,249	7,806	5,919	35,150	35,200	8,165	6,089	8,856	6,759	38,150	38,200	9,215	6,929	9,906	7,611
32,200	32,250	7,133	5,263	7,824	5,933	35,200	35,250	8,183	6,103	8,874	6,773	38,200	38,250	9,233	6,943	9,924	7,629
32,250	32,300	7,150	5,277	7,841	5,947	35,250	35,300	8,200	6,117	8,891	6,787	38,250	38,300	9,250	6,957	9,941	7,646
32,300	32,350	7,168	5,291	7,859	5,961	35,300	35,350	8,218	6,131	8,909	6,801	38,300	38,350	9,268	6,971	9,959	7,664
32,350	32,400	7,185	5,305	7,876	5,975	35,350	35,400	8,235	6,145	8,926	6,815	38,350	38,400	9,285	6,985	9,976	7,681
32,400	32,450	7,203	5,319	7,894	5,989	35,400	35,450	8,253	6,159	8,944	6,829	38,400	38,450	9,303	6,999	9,994	7,699
32,450	32,500	7,220	5,333	7,911	6,003	35,450	35,500	8,270	6,173	8,961	6,843	38,450	38,500	9,320	7,013	10,011	7,716
32,500	32,550	7,238	5,347	7,929	6,017	35,500	35,550	8,288	6,187	8,979	6,857	38,500	38,550	9,338	7,027	10,029	7,734
32,550	32,600	7,255	5,361	7,946	6,031	35,550	35,600	8,305	6,201	8,996	6,871	38,550	38,600	9,355	7,041	10,046	7,751
32,600	32,650	7,273	5,375	7,964	6,045	35,600	35,650	8,323	6,215	9,014	6,885	38,600	38,650	9,373	7,055	10,064	7,769
32,650	32,700	7,290	5,389	7,981	6,059	35,650	35,700	8,340	6,229	9,031	6,899	38,650	38,700	9,390	7,069	10,081	7,786
32,700	32,750	7,308	5,403	7,999	6,073	35,700	35,750	8,358	6,243	9,049	6,913	38,700	38,750	9,408	7,083	10,099	7,804
32,750	32,800	7,325	5,417	8,016	6,087	35,750	35,800	8,375	6,257	9,066	6,927	38,750	38,800	9,425	7,097	10,116	7,821
32,800	32,850	7,343	5,431	8,034	6,101	35,800	35,850	8,393	6,271	9,084	6,941	38,800	38,850	9,443	7,111	10,134	7,839
32,850	32,900	7,360	5,445	8,051	6,115	35,850	35,900	8,410	6,285	9,101	6,955	38,850	38,900	9,460	7,125	10,151	7,856
32,900	32,950	7,378	5,459	8,069	6,129	35,900	35,950	8,428	6,299	9,119	6,969	38,900	38,950	9,478	7,139	10,169	7,874
32,950	33,000	7,395	5,473	8,086	6,143	35,950	36,000	8,445	6,313	9,136	6,983	38,950	39,000	9,495	7,153	10,186	7,891
33,000						36,000						39,000					
33,000	33,050	7,413	5,487	8,104	6,157	36,000	36,050	8,463	6,327	9,154	6,997	39,000	39,050	9,513	7,167	10,204	7,909
33,050	33,100	7,430	5,501	8,121	6,171	36,050	36,100	8,480	6,341	9,171	7,011	39,050	39,100	9,530	7,181	10,221	7,926
33,100	33,150	7,448	5,515	8,139	6,185	36,100	36,150	8,498	6,355	9,189	7,025	39,100	39,150	9,548	7,195	10,239	7,944
33,150	33,200	7,465	5,529	8,156	6,199	36,150	36,200	8,515	6,369	9,206	7,039	39,150	39,200	9,565	7,209	10,256	7,961
33,200	33,250	7,483	5,543	8,174	6,213	36,200	36,250	8,533	6,383	9,224	7,053	39,200	39,250	9,583	7,223	10,274	7,979
33,250	33,300	7,500	5,557	8,191	6,227	36,250	36,300	8,550	6,397	9,241	7,067	39,250	39,300	9,600	7,237	10,291	7,996
33,300	33,350	7,518	5,571	8,209	6,241	36,300	36,350	8,568	6,411	9,259	7,081	39,300	39,350	9,618	7,251	10,309	8,014
33,350	33,400	7,535	5,585	8,226	6,255	36,350	36,400	8,585	6,425	9,276	7,095	39,350	39,400	9,635	7,265	10,326	8,031
33,400	33,450	7,553	5,599	8,244	6,269	36,400	36,450	8,603	6,439	9,294	7,109	39,400	39,450	9,653	7,279	10,344	8,049
33,450	33,500	7,570	5,613	8,261	6,283	36,450	36,500	8,620	6,453	9,311	7,123	39,450	39,500	9,670	7,293	10,361	8,066
33,500	33,550	7,588	5,627	8,279	6,297	36,500	36,550	8,638	6,467	9,329	7,137	39,500	39,550	9,688	7,307	10,379	8,084
33,550	33,600	7,605	5,641	8,296	6,311	36,550	36,600	8,655	6,481	9,346	7,151	39,550	39,600	9,705	7,321	10,396	8,101
33,600	33,650	7,623	5,655	8,314	6,325	36,600	36,650	8,673	6,495	9,364	7,165	39,600	39,650	9,723	7,335	10,414	8,119
33,650	33,700	7,640	5,669	8,331	6,339	36,650	36,700	8,690	6,509	9,381	7,179	39,650	39,700	9,740	7,349	10,431	8,136
33,700	33,750	7,658	5,683	8,349	6,353	36,700	36,750	8,708	6,523	9,399	7,193	39,700	39,750	9,758	7,363	10,449	8,154
33,750	33,800	7,675	5,697	8,366	6,367	36,750	36,800	8,725	6,537	9,416	7,207	39,750	39,800	9,775	7,377	10,466	8,171
33,800	33,850	7,693	5,711	8,384	6,381	36,800	36,850	8,743	6,551	9,434	7,221	39,800	39,850	9,793	7,391	10,484	8,189
33,850	33,900	7,710	5,725	8,401	6,395	36,850	36,900	8,760	6,565	9,451	7,235	39,850	39,900	9,810	7,405	10,501	8,206
33,900	33,950	7,728	5,739	8,419	6,409	36,900	36,950	8,778	6,579	9,469	7,249	39,900	39,950	9,828	7,419	10,519	8,224
33,950	34,000	7,745	5,753	8,436	6,423	36,950	37,000	8,795	6,593	9,486	7,263	39,950	40,000	9,845	7,433	10,536	8,241
34,000						37,000						40,000					
34,000	34,050	7,763	5,767	8,454	6,437	37,000	37,050	8,813	6,607	9,504	7,277	40,000	40,050	9,863	7,447	10,554	8,259
34,050	34,100	7,780	5,781	8,471	6,451	37,050	37,100	8,830	6,621	9,521	7,291	40,050	40,100	9,880	7,461	10,571	8,276
34,100	34,150	7,798	5,795	8,489	6,465	37,100	37,150	8,848	6,635	9,539	7,305	40,100	40,150	9,898	7,475	10,589	8,294
34,150	34,200	7,815	5,809	8,506	6,479	37,150	37,200	8,865	6,649	9,556	7,319	40,150	40,200	9,915	7,489	10,606	8,311
34,200	34,250	7,833	5,823	8,524	6,493	37,200	37,250	8,883	6,663	9,574	7,333	40,200	40,250	9,933	7,503	10,624	8,329
34,250	34,300	7,850	5,837	8,541	6,507	37,250	37,300	8,900	6,677	9,591	7,347	40,250	40,300	9,950	7,517	10,641	8,346
34,300	34,350	7,868	5,851	8,559	6,521	37,300	37,350	8,918	6,691	9,609	7,361	40,300	40,350	9,968	7,531	10,659	8,364
34,350	34,400	7,885	5,865	8,576	6,535	37,350	37,400	8,935	6,705	9,626	7,375	40,350	40,400	9,985	7,545	10,676	8,381
34,400	34,450	7,903	5,879	8,594	6,549	37,400	37,450	8,953	6,719	9,644	7,389	40,400	40,450	10,003	7,559	10,694	8,399
34,450	34,500	7,920	5,893	8,611	6,563	37,450	37,500	8,970	6,733	9,661	7,403	40,450	40,500	10,020	7,573	10,711	8,416
34,500	34,550	7,938	5,907	8,629	6,577	37,500	37,550	8,988	6,747	9,679	7,417	40,500	40,550	10,038	7,587	10,729	8,434
34,550	34,600	7,955	5,921	8,646	6,591	37,550	37,600	9,005	6,761	9,696	7,431	40,550	40,600	10,055	7,601	10,746	8,451
34,600	34,650	7,973	5,935	8,664	6,605	37,600	37,650	9,023	6,775	9,714	7,445	40,600	40,650	10,073	7,615	10,764	8,469
34,650	34,700	7,990	5,949	8,681	6,619	37,650	37,700	9,040	6,789	9,731	7,459	40,650	40,700	10,090	7,629	10,781	8,486
34,700	34,750	8,008	5,963	8,699	6,633	37,700	37,750	9,058	6,803	9,749	7,473	40,700	40,750	10,108	7,643	10,799	8,504
34,750	34,800	8,025	5,977	8,716	6,647	37,750	37,800	9,075	6,817	9,766	7,487	40,750	40,800	10,125	7,657	10,816	8,521
34,800	34,850	8,043	5,991	8,734	6,661	37,800	37,850	9,093	6,831	9,784	7,501	40,800	40,850	10,143	7,671	10,834	8,539
34,850	34,900	8,060	6,005	8,751	6,675	37,850	37,900	9,110	6,845	9,801	7,515	40,850	40,900	10,160	7,685	10,851	8,556
34,900	34,950	8,078	6,019	8,769	6,689	37,900	37,950	9,128	6,859	9,819	7,529	40,900	40,950	10,178	7,699	10,869	8,574
34,950	35,000	8,095	6,033	8,786													

1987 Tax Table—Continued

If line 36 (taxable income) is—						If line 36 (taxable income) is—						If line 36 (taxable income) is—																							
At least		But less than		Single		Married filing jointly *		Married filing separately		Head of a household		At least		But less than		Single		Married filing jointly *		Married filing separately		Head of a household		At least		But less than		Single		Married filing jointly *		Married filing separately		Head of a household	
Your tax is—						Your tax is—						Your tax is—																							
41,000						44,000						47,000																							
41,000	41,050	10,213	7,727	10,904	8,609	44,000	44,050	11,263	8,567	11,954	9,659	47,000	47,050	12,313	9,549	13,075	10,709																		
41,050	41,100	10,230	7,741	10,921	8,626	44,050	44,100	11,280	8,581	11,971	9,676	47,050	47,100	12,330	9,566	13,094	10,726																		
41,100	41,150	10,248	7,755	10,939	8,644	44,100	44,150	11,298	8,595	11,989	9,694	47,100	47,150	12,348	9,584	13,113	10,744																		
41,150	41,200	10,265	7,769	10,956	8,661	44,150	44,200	11,315	8,609	12,006	9,711	47,150	47,200	12,365	9,601	13,132	10,761																		
41,200	41,250	10,283	7,783	10,974	8,679	44,200	44,250	11,333	8,623	12,024	9,729	47,200	47,250	12,383	9,619	13,152	10,779																		
41,250	41,300	10,300	7,797	10,991	8,696	44,250	44,300	11,350	8,637	12,041	9,746	47,250	47,300	12,400	9,636	13,171	10,796																		
41,300	41,350	10,318	7,811	11,009	8,714	44,300	44,350	11,368	8,651	12,059	9,764	47,300	47,350	12,418	9,654	13,190	10,814																		
41,350	41,400	10,335	7,825	11,026	8,731	44,350	44,400	11,385	8,665	12,076	9,781	47,350	47,400	12,435	9,671	13,209	10,831																		
41,400	41,450	10,353	7,839	11,044	8,749	44,400	44,450	11,403	8,679	12,094	9,799	47,400	47,450	12,453	9,689	13,229	10,849																		
41,450	41,500	10,370	7,853	11,061	8,766	44,450	44,500	11,420	8,693	12,111	9,816	47,450	47,500	12,470	9,706	13,248	10,866																		
41,500	41,550	10,388	7,867	11,079	8,784	44,500	44,550	11,438	8,707	12,129	9,834	47,500	47,550	12,488	9,724	13,267	10,884																		
41,550	41,600	10,405	7,881	11,096	8,801	44,550	44,600	11,455	8,721	12,146	9,851	47,550	47,600	12,505	9,741	13,286	10,901																		
41,600	41,650	10,423	7,895	11,114	8,819	44,600	44,650	11,473	8,735	12,164	9,869	47,600	47,650	12,523	9,759	13,306	10,919																		
41,650	41,700	10,440	7,909	11,131	8,836	44,650	44,700	11,490	8,749	12,181	9,886	47,650	47,700	12,540	9,776	13,325	10,936																		
41,700	41,750	10,458	7,923	11,149	8,854	44,700	44,750	11,508	8,763	12,199	9,904	47,700	47,750	12,558	9,794	13,344	10,954																		
41,750	41,800	10,475	7,937	11,166	8,871	44,750	44,800	11,525	8,777	12,216	9,921	47,750	47,800	12,575	9,811	13,363	10,971																		
41,800	41,850	10,493	7,951	11,184	8,889	44,800	44,850	11,543	8,791	12,234	9,939	47,800	47,850	12,593	9,829	13,383	10,989																		
41,850	41,900	10,510	7,965	11,201	8,906	44,850	44,900	11,560	8,805	12,251	9,956	47,850	47,900	12,610	9,846	13,402	11,006																		
41,900	41,950	10,528	7,979	11,219	8,924	44,900	44,950	11,578	8,819	12,269	9,974	47,900	47,950	12,628	9,864	13,421	11,024																		
41,950	42,000	10,545	7,993	11,236	8,941	44,950	45,000	11,595	8,833	12,286	9,991	47,950	48,000	12,645	9,881	13,440	11,041																		
42,000						45,000						48,000																							
42,000	42,050	10,563	8,007	11,254	8,959	45,000	45,050	11,613	8,849	12,305	10,009	48,000	48,050	12,663	9,899	13,460	11,059																		
42,050	42,100	10,580	8,021	11,271	8,976	45,050	45,100	11,630	8,866	12,324	10,026	48,050	48,100	12,680	9,916	13,479	11,076																		
42,100	42,150	10,598	8,035	11,289	8,994	45,100	45,150	11,648	8,884	12,343	10,044	48,100	48,150	12,698	9,934	13,498	11,094																		
42,150	42,200	10,615	8,049	11,306	9,011	45,150	45,200	11,665	8,901	12,362	10,061	48,150	48,200	12,715	9,951	13,517	11,111																		
42,200	42,250	10,633	8,063	11,324	9,029	45,200	45,250	11,683	8,919	12,382	10,079	48,200	48,250	12,733	9,969	13,537	11,129																		
42,250	42,300	10,650	8,077	11,341	9,046	45,250	45,300	11,700	8,936	12,401	10,096	48,250	48,300	12,750	9,986	13,556	11,146																		
42,300	42,350	10,668	8,091	11,359	9,064	45,300	45,350	11,718	8,954	12,420	10,114	48,300	48,350	12,768	10,004	13,575	11,164																		
42,350	42,400	10,685	8,105	11,376	9,081	45,350	45,400	11,735	8,971	12,439	10,131	48,350	48,400	12,785	10,021	13,594	11,181																		
42,400	42,450	10,703	8,119	11,394	9,099	45,400	45,450	11,753	8,989	12,459	10,149	48,400	48,450	12,803	10,039	13,614	11,199																		
42,450	42,500	10,720	8,133	11,411	9,116	45,450	45,500	11,770	9,006	12,478	10,166	48,450	48,500	12,820	10,056	13,633	11,216																		
42,500	42,550	10,738	8,147	11,429	9,134	45,500	45,550	11,788	9,024	12,497	10,184	48,500	48,550	12,838	10,074	13,652	11,234																		
42,550	42,600	10,755	8,161	11,446	9,151	45,550	45,600	11,805	9,041	12,516	10,201	48,550	48,600	12,855	10,091	13,671	11,251																		
42,600	42,650	10,773	8,175	11,464	9,169	45,600	45,650	11,823	9,059	12,536	10,219	48,600	48,650	12,873	10,109	13,691	11,269																		
42,650	42,700	10,790	8,189	11,481	9,186	45,650	45,700	11,840	9,076	12,555	10,236	48,650	48,700	12,890	10,126	13,710	11,286																		
42,700	42,750	10,808	8,203	11,499	9,204	45,700	45,750	11,858	9,094	12,574	10,254	48,700	48,750	12,908	10,144	13,729	11,304																		
42,750	42,800	10,825	8,217	11,516	9,221	45,750	45,800	11,875	9,111	12,593	10,271	48,750	48,800	12,925	10,161	13,748	11,321																		
42,800	42,850	10,843	8,231	11,534	9,239	45,800	45,850	11,893	9,129	12,613	10,289	48,800	48,850	12,943	10,179	13,768	11,339																		
42,850	42,900	10,860	8,245	11,551	9,256	45,850	45,900	11,910	9,146	12,632	10,306	48,850	48,900	12,960	10,196	13,787	11,356																		
42,900	42,950	10,878	8,259	11,569	9,274	45,900	45,950	11,928	9,164	12,651	10,324	48,900	48,950	12,978	10,214	13,806	11,374																		
42,950	43,000	10,895	8,273	11,586	9,291	45,950	46,000	11,945	9,181	12,670	10,341	48,950	49,000	12,995	10,231	13,825	11,391																		
43,000						46,000						49,000																							
43,000	43,050	10,913	8,287	11,604	9,309	46,000	46,050	11,963	9,199	12,690	10,359	49,000	49,050	13,013	10,249	13,845	11,409																		
43,050	43,100	10,930	8,301	11,621	9,326	46,050	46,100	11,980	9,216	12,709	10,376	49,050	49,100	13,030	10,266	13,864	11,426																		
43,100	43,150	10,948	8,315	11,639	9,344	46,100	46,150	11,998	9,234	12,728	10,394	49,100	49,150	13,048	10,284	13,883	11,444																		
43,150	43,200	10,965	8,329	11,656	9,361	46,150	46,200	12,015	9,251	12,747	10,411	49,150	49,200	13,065	10,301	13,902	11,461																		
43,200	43,250	10,983	8,343	11,674	9,379	46,200	46,250	12,033	9,269	12,767	10,429	49,200	49,250	13,083	10,319	13,922	11,479																		
43,250	43,300	11,000	8,357	11,691	9,396	46,250	46,300	12,050	9,286	12,786	10,446	49,250	49,300	13,100	10,336	13,941	11,496																		
43,300	43,350	11,018	8,371	11,709	9,414	46,300	46,350	12,068	9,304	12,805	10,464	49,300	49,350	13,118	10,354	13,960	11,514																		
43,350	43,400	11,035	8,385	11,726	9,431	46,350	46,400	12,085	9,321	12,824	10,481	49,350	49,400	13,135	10,371	13,979	11,531																		
43,400	43,450	11,053	8,399	11,744	9,449	46,400	46,450	12,103	9,339	12,844	10,499	49,400	49,450	13,153	10,389	13,999	11,549																		
43,450	43,500	11,070	8,413	11,761	9,466	46,450	46,500	12,120	9,356	12,863	10,516	49,450	49,500	13,170	10,406	14,018	11,566																		
43,500	43,550	11,088	8,427	11,779	9,484	46,500	46,550	12,138	9,374	12,882	10,534	49,500	49,550	13,188	10,424	14,037	11,584																		
43,550	43,600	11,105	8,441	11,796	9,501	46,550	46,600	12,155	9,391	12,901	10,551	49,550	49,600	13,205	10,441	14,056	11,601																		
43,600	43,650	11,123	8,455	11,814	9,519	46,600	46,650	12,173	9,409	12,921	10,569	49,600	49,650	13,223	10,459	14,076	11,619																		
43,650	43,700	11,140	8,469	11,831	9,536	46,650	46,700	12,190	9,426	12,940	10,586	49,650	49,700	13,240	10,476	14,095	11,636																		
43,700	43,750	11,158	8,483	11,849	9,554	46,700	46,750	12,208	9,444	12,959	10,604	49,700	49,750	13,258	10,494	14,114	11,654																		
43,750	43,800	11,175	8,497	11,866	9,571	46,750	46,800	12,225	9,461	12,978	10,621	49,750	49,800	13,275	10,511	14,133	11,671																		
43,800	43,850	11,193	8,511	11,884	9,589	46,800	46,850	12,243	9,479	12,998	10,639	49,800	49,850	13,293	10,529	14,153	11,689																		
43,850	43,900	11,210	8,525	11,901	9,606	46,850	46,900	12,260	9,496	13,017																									

1987 Tax Rate Schedules

Caution: You may use these schedules **ONLY** if your taxable income (Form 1040, line 36) is \$50,000 or more.

Example: Mr. Jones is single. His taxable income on Form 1040, line 36, is \$53,525. First, he finds the schedule (Schedule X) for single taxpayers. Next, he finds the

\$27,000–54,000 income line. Then, he subtracts \$27,000 from \$53,525 and multiplies the result (\$26,525) by 35%. He then adds \$9,283.75 ($\$26,525 \times .35$) to \$5,304 and enters the result (\$14,587.75) on Form 1040, line 37.

Schedule X—Single Taxpayers

Use this schedule if you checked **Filing Status Box 1** on Form 1040—

If the amount on Form 1040, line 36 is:	But not over—	Enter on Form 1040, line 37	of the amount over—
\$0	\$1,800 11%	\$0
1,800	16,800	\$198 + 15%	1,800
16,800	27,000	2,448 + 28%	16,800
27,000	54,000	5,304 + 35%	27,000
54,000	-----	14,754 + 38.5%	54,000

Schedule Z—Heads of Household

(including certain married persons who live apart—see page 7 of the Instructions)

Use this schedule if you checked **Filing Status Box 4** on Form 1040—

If the amount on Form 1040, line 36 is:	But not over—	Enter on Form 1040, line 37	of the amount over—
\$0	\$2,500 11%	\$0
2,500	23,000	\$275 + 15%	2,500
23,000	38,000	3,350 + 28%	23,000
38,000	80,000	7,550 + 35%	38,000
80,000	-----	22,250 + 38.5%	80,000

Schedule Y—Married Taxpayers and Qualifying Widows and Widowers

Married Filing Joint Returns and Qualifying Widows and Widowers

Use this schedule if you checked **Filing Status Box 2 or 5** on Form 1040—

If the amount on Form 1040, line 36 is:	But not over—	Enter on Form 1040, line 37	of the amount over—
\$0	\$3,000 11%	\$0
3,000	28,000	\$330 + 15%	3,000
28,000	45,000	4,080 + 28%	28,000
45,000	90,000	8,840 + 35%	45,000
90,000	-----	24,590 + 38.5%	90,000

Married Filing Separate Returns

Use this schedule if you checked **Filing Status Box 3** on Form 1040—

If the amount on Form 1040, line 36 is:	But not over—	Enter on Form 1040, line 37	of the amount over—
\$0	\$1,500 11%	\$0
1,500	14,000	\$165 + 15%	1,500
14,000	22,500	2,040 + 28%	14,000
22,500	45,000	4,420 + 35%	22,500
45,000	-----	12,295 + 38.5%	45,000

1987 Earned Income Credit Table

Caution: This Is Not a Tax Table

To find your earned income credit: Read down the column titled "If line 3 or 4 of the worksheet is—" and find the appropriate

amount from the Earned Income Credit Worksheet on page 19. Read across to the right and find the amount of the earned

income credit. Enter that amount on line 5 or 6 of the worksheet, whichever applies.

If line 3 or 4 of the worksheet is—			Your earned income credit is—			If line 3 or 4 of the worksheet is—			Your earned income credit is—			If line 3 or 4 of the worksheet is—			Your earned income credit is—		
At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than	
\$0	\$25	\$2	\$1,600	\$1,625	\$226	\$3,200	\$3,225	\$450	\$4,800	\$4,825	\$674	\$7,225	\$7,250	\$819			
25	50	5	1,625	1,650	229	3,225	3,250	453	4,825	4,850	677	7,250	7,275	817			
50	75	9	1,650	1,675	233	3,250	3,275	457	4,850	4,875	681	7,275	7,300	814			
75	100	12	1,675	1,700	236	3,275	3,300	460	4,875	4,900	684	7,300	7,325	812			
100	125	16	1,700	1,725	240	3,300	3,325	464	4,900	4,925	688	7,325	7,350	809			
125	150	19	1,725	1,750	243	3,325	3,350	467	4,925	4,950	691	7,350	7,375	807			
150	175	23	1,750	1,775	247	3,350	3,375	471	4,950	4,975	695	7,375	7,400	804			
175	200	26	1,775	1,800	250	3,375	3,400	474	4,975	5,000	698	7,400	7,425	802			
200	225	30	1,800	1,825	254	3,400	3,425	478	5,000	5,025	702	7,425	7,450	799			
225	250	33	1,825	1,850	257	3,425	3,450	481	5,025	5,050	705	7,450	7,475	797			
250	275	37	1,850	1,875	261	3,450	3,475	485	5,050	5,075	709	7,475	7,500	794			
275	300	40	1,875	1,900	264	3,475	3,500	488	5,075	5,100	712	7,500	7,525	792			
300	325	44	1,900	1,925	268	3,500	3,525	492	5,100	5,125	716	7,525	7,550	789			
325	350	47	1,925	1,950	271	3,525	3,550	495	5,125	5,150	719	7,550	7,575	787			
350	375	51	1,950	1,975	275	3,550	3,575	499	5,150	5,175	723	7,575	7,600	784			
375	400	54	1,975	2,000	278	3,575	3,600	502	5,175	5,200	726	7,600	7,625	782			
400	425	58	2,000	2,025	282	3,600	3,625	506	5,200	5,225	730	7,625	7,650	779			
425	450	61	2,025	2,050	285	3,625	3,650	509	5,225	5,250	733	7,650	7,675	777			
450	475	65	2,050	2,075	289	3,650	3,675	513	5,250	5,275	737	7,675	7,700	774			
475	500	68	2,075	2,100	292	3,675	3,700	516	5,275	5,300	740	7,700	7,725	772			
500	525	72	2,100	2,125	296	3,700	3,725	520	5,300	5,325	744	7,725	7,750	769			
525	550	75	2,125	2,150	299	3,725	3,750	523	5,325	5,350	747	7,750	7,775	767			
550	575	79	2,150	2,175	303	3,750	3,775	527	5,350	5,375	751	7,775	7,800	764			
575	600	82	2,175	2,200	306	3,775	3,800	530	5,375	5,400	754	7,800	7,825	762			
600	625	86	2,200	2,225	310	3,800	3,825	534	5,400	5,425	758	7,825	7,850	759			
625	650	89	2,225	2,250	313	3,825	3,850	537	5,425	5,450	761	7,850	7,875	757			
650	675	93	2,250	2,275	317	3,850	3,875	541	5,450	5,475	765	7,875	7,900	754			
675	700	96	2,275	2,300	320	3,875	3,900	544	5,475	5,500	768	7,900	7,925	752			
700	725	100	2,300	2,325	324	3,900	3,925	548	5,500	5,525	772	7,925	7,950	749			
725	750	103	2,325	2,350	327	3,925	3,950	551	5,525	5,550	775	7,950	7,975	747			
750	775	107	2,350	2,375	331	3,950	3,975	555	5,550	5,575	779	7,975	8,000	744			
775	800	110	2,375	2,400	334	3,975	4,000	558	5,575	5,600	782	8,000	8,025	742			
800	825	114	2,400	2,425	338	4,000	4,025	562	5,600	5,625	786	8,025	8,050	739			
825	850	117	2,425	2,450	341	4,025	4,050	565	5,625	5,650	789	8,050	8,075	737			
850	875	121	2,450	2,475	345	4,050	4,075	569	5,650	5,675	793	8,075	8,100	734			
875	900	124	2,475	2,500	348	4,075	4,100	572	5,675	5,700	796	8,100	8,125	732			
900	925	128	2,500	2,525	352	4,100	4,125	576	5,700	5,725	800	8,125	8,150	729			
925	950	131	2,525	2,550	355	4,125	4,150	579	5,725	5,750	803	8,150	8,175	727			
950	975	135	2,550	2,575	359	4,150	4,175	583	5,750	5,775	807	8,175	8,200	724			
975	1,000	138	2,575	2,600	362	4,175	4,200	586	5,775	5,800	810	8,200	8,225	722			
1,000	1,025	142	2,600	2,625	366	4,200	4,225	590	5,800	5,825	814	8,225	8,250	719			
1,025	1,050	145	2,625	2,650	369	4,225	4,250	593	5,825	5,850	817	8,250	8,275	717			
1,050	1,075	149	2,650	2,675	373	4,250	4,275	597	5,850	5,875	821	8,275	8,300	714			
1,075	1,100	152	2,675	2,700	376	4,275	4,300	600	5,875	5,900	824	8,300	8,325	712			
1,100	1,125	156	2,700	2,725	380	4,300	4,325	604	5,900	5,925	828	8,325	8,350	709			
1,125	1,150	159	2,725	2,750	383	4,325	4,350	607	5,925	5,950	831	8,350	8,375	707			
1,150	1,175	163	2,750	2,775	387	4,350	4,375	611	5,950	5,975	835	8,375	8,400	704			
1,175	1,200	166	2,775	2,800	390	4,375	4,400	614	5,975	6,000	838	8,400	8,425	702			
1,200	1,225	170	2,800	2,825	394	4,400	4,425	618	6,000	6,025	842	8,425	8,450	699			
1,225	1,250	173	2,825	2,850	397	4,425	4,450	621	6,025	6,050	845	8,450	8,475	697			
1,250	1,275	177	2,850	2,875	401	4,450	4,475	625	6,050	6,075	849	8,475	8,500	694			
1,275	1,300	180	2,875	2,900	404	4,475	4,500	628	6,075	6,925	851	8,500	8,525	692			
1,300	1,325	184	2,900	2,925	408	4,500	4,525	632	6,925	6,950	849	8,525	8,550	689			
1,325	1,350	187	2,925	2,950	411	4,525	4,550	635	6,950	6,975	847	8,550	8,575	687			
1,350	1,375	191	2,950	2,975	415	4,550	4,575	639	6,975	7,000	844	8,575	8,600	684			
1,375	1,400	194	2,975	3,000	418	4,575	4,600	642	7,000	7,025	842	8,600	8,625	682			
1,400	1,425	198	3,000	3,025	422	4,600	4,625	646	7,025	7,050	839	8,625	8,650	679			
1,425	1,450	201	3,025	3,050	425	4,625	4,650	649	7,050	7,075	837	8,650	8,675	677			
1,450	1,475	205	3,050	3,075	429	4,650	4,675	653	7,075	7,100	834	8,675	8,700	674			
1,475	1,500	208	3,075	3,100	432	4,675	4,700	656	7,100	7,125	832	8,700	8,725	672			
1,500	1,525	212	3,100	3,125	436	4,700	4,725	660	7,125	7,150	829	8,725	8,750	669			
1,525	1,550	215	3,125	3,150	439	4,725	4,750	663	7,150	7,175	827	8,750	8,775	667			
1,550	1,575	219	3,150	3,175	443	4,750	4,775	667	7,175	7,200	824	8,775	8,800	664			
1,575	1,600	222	3,175	3,200	446	4,775	4,800	670	7,200	7,225	822	8,800	8,825	662			

1987 Earned Income Credit Table—Continued

If line 3 or 4 of the worksheet is—			Your earned income credit is—	If line 3 or 4 of the worksheet is—			Your earned income credit is—	If line 3 or 4 of the worksheet is—			Your earned income credit is—	If line 3 or 4 of the worksheet is—			Your earned income credit is—
At least	But less than			At least	But less than			At least	But less than			At least	But less than		
\$8,825	\$8,850	\$659	\$10,225	\$10,250	\$519	\$11,625	\$11,650	\$379	\$13,025	\$13,050	\$239	\$14,425	\$14,450	\$99	
8,850	8,875	657	10,250	10,275	517	11,650	11,675	377	13,050	13,075	237	14,450	14,475	97	
8,875	8,900	654	10,275	10,300	514	11,675	11,700	374	13,075	13,100	234	14,475	14,500	94	
8,900	8,925	652	10,300	10,325	512	11,700	11,725	372	13,100	13,125	232	14,500	14,525	92	
8,925	8,950	649	10,325	10,350	509	11,725	11,750	369	13,125	13,150	229	14,525	14,550	89	
8,950	8,975	647	10,350	10,375	507	11,750	11,775	367	13,150	13,175	227	14,550	14,575	87	
8,975	9,000	644	10,375	10,400	504	11,775	11,800	364	13,175	13,200	224	14,575	14,600	84	
9,000	9,025	642	10,400	10,425	502	11,800	11,825	362	13,200	13,225	222	14,600	14,625	82	
9,025	9,050	639	10,425	10,450	499	11,825	11,850	359	13,225	13,250	219	14,625	14,650	79	
9,050	9,075	637	10,450	10,475	497	11,850	11,875	357	13,250	13,275	217	14,650	14,675	77	
9,075	9,100	634	10,475	10,500	494	11,875	11,900	354	13,275	13,300	214	14,675	14,700	74	
9,100	9,125	632	10,500	10,525	492	11,900	11,925	352	13,300	13,325	212	14,700	14,725	72	
9,125	9,150	629	10,525	10,550	489	11,925	11,950	349	13,325	13,350	209	14,725	14,750	69	
9,150	9,175	627	10,550	10,575	487	11,950	11,975	347	13,350	13,375	207	14,750	14,775	67	
9,175	9,200	624	10,575	10,600	484	11,975	12,000	344	13,375	13,400	204	14,775	14,800	64	
9,200	9,225	622	10,600	10,625	482	12,000	12,025	342	13,400	13,425	202	14,800	14,825	62	
9,225	9,250	619	10,625	10,650	479	12,025	12,050	339	13,425	13,450	199	14,825	14,850	59	
9,250	9,275	617	10,650	10,675	477	12,050	12,075	337	13,450	13,475	197	14,850	14,875	57	
9,275	9,300	614	10,675	10,700	474	12,075	12,100	334	13,475	13,500	194	14,875	14,900	54	
9,300	9,325	612	10,700	10,725	472	12,100	12,125	332	13,500	13,525	192	14,900	14,925	52	
9,325	9,350	609	10,725	10,750	469	12,125	12,150	329	13,525	13,550	189	14,925	14,950	49	
9,350	9,375	607	10,750	10,775	467	12,150	12,175	327	13,550	13,575	187	14,950	14,975	47	
9,375	9,400	604	10,775	10,800	464	12,175	12,200	324	13,575	13,600	184	14,975	15,000	44	
9,400	9,425	602	10,800	10,825	462	12,200	12,225	322	13,600	13,625	182	15,000	15,025	42	
9,425	9,450	599	10,825	10,850	459	12,225	12,250	319	13,625	13,650	179	15,025	15,050	39	
9,450	9,475	597	10,850	10,875	457	12,250	12,275	317	13,650	13,675	177	15,050	15,075	37	
9,475	9,500	594	10,875	10,900	454	12,275	12,300	314	13,675	13,700	174	15,075	15,100	34	
9,500	9,525	592	10,900	10,925	452	12,300	12,325	312	13,700	13,725	172	15,100	15,125	32	
9,525	9,550	589	10,925	10,950	449	12,325	12,350	309	13,725	13,750	169	15,125	15,150	29	
9,550	9,575	587	10,950	10,975	447	12,350	12,375	307	13,750	13,775	167	15,150	15,175	27	
9,575	9,600	584	10,975	11,000	444	12,375	12,400	304	13,775	13,800	164	15,175	15,200	24	
9,600	9,625	582	11,000	11,025	442	12,400	12,425	302	13,800	13,825	162	15,200	15,225	22	
9,625	9,650	579	11,025	11,050	439	12,425	12,450	299	13,825	13,850	159	15,225	15,250	19	
9,650	9,675	577	11,050	11,075	437	12,450	12,475	297	13,850	13,875	157	15,250	15,275	17	
9,675	9,700	574	11,075	11,100	434	12,475	12,500	294	13,875	13,900	154	15,275	15,300	14	
9,700	9,725	572	11,100	11,125	432	12,500	12,525	292	13,900	13,925	152	15,300	15,325	12	
9,725	9,750	569	11,125	11,150	429	12,525	12,550	289	13,925	13,950	149	15,325	15,350	9	
9,750	9,775	567	11,150	11,175	427	12,550	12,575	287	13,950	13,975	147	15,350	15,375	7	
9,775	9,800	564	11,175	11,200	424	12,575	12,600	284	13,975	14,000	144	15,375	15,400	4	
9,800	9,825	562	11,200	11,225	422	12,600	12,625	282	14,000	14,025	142	15,400	15,425	2	
9,825	9,850	559	11,225	11,250	419	12,625	12,650	279	14,025	14,050	139	15,425	15,432	1	
9,850	9,875	557	11,250	11,275	417	12,650	12,675	277	14,050	14,075	137	\$15,432 or more—you cannot take the credit			
9,875	9,900	554	11,275	11,300	414	12,675	12,700	274	14,075	14,100	134				
9,900	9,925	552	11,300	11,325	412	12,700	12,725	272	14,100	14,125	132				
9,925	9,950	549	11,325	11,350	409	12,725	12,750	269	14,125	14,150	129				
9,950	9,975	547	11,350	11,375	407	12,750	12,775	267	14,150	14,175	127				
9,975	10,000	544	11,375	11,400	404	12,775	12,800	264	14,175	14,200	124				
10,000	10,025	542	11,400	11,425	402	12,800	12,825	262	14,200	14,225	122				
10,025	10,050	539	11,425	11,450	399	12,825	12,850	259	14,225	14,250	119				
10,050	10,075	537	11,450	11,475	397	12,850	12,875	257	14,250	14,275	117				
10,075	10,100	534	11,475	11,500	394	12,875	12,900	254	14,275	14,300	114				
10,100	10,125	532	11,500	11,525	392	12,900	12,925	252	14,300	14,325	112				
10,125	10,150	529	11,525	11,550	389	12,925	12,950	249	14,325	14,350	109				
10,150	10,175	527	11,550	11,575	387	12,950	12,975	247	14,350	14,375	107				
10,175	10,200	524	11,575	11,600	384	12,975	13,000	244	14,375	14,400	104				
10,200	10,225	522	11,600	11,625	382	13,000	13,025	242	14,400	14,425	102				

Tele-Tax

Automated Refund Information is available after March 15. If it has been 10 weeks since you mailed your 1987 tax return, we will be able to check the status of your refund.

Recorded Tax Information has about 150 topics of tax information that answer many Federal tax questions and a topic for local information such as the location of volunteer tax assistance sites (VITA and TCE). You can hear up to three topics on each call you make.

To Call Tele-Tax Toll-Free, Use Only the Numbers Listed Below for Your Area.

Long-distance charges apply if you call from outside the local dialing area of the numbers listed below. **Do not dial 800 when using a local number.** A complete list of these topics is on the next page.

How To Use Tele-Tax

Automated Refund Information

1. Have a copy of your tax return available since you will need to know the first social security number shown on your return, the filing status, and the exact amount of your refund.
2. Call the appropriate phone number listed below.
3. Follow the recorded instructions.
4. ● Push-button (tone signaling) service is available Monday through Friday from 6:30 A.M. to 6 P.M. (Hours may vary in your area.)
 - Rotary (dial)/push-button (pulse dial) service is available Monday through Friday during regular office hours. (In Hawaii, from 6:30 A.M. to 1:00 P.M.)

Recorded Tax Information

1. Select, by number, the topic you wish to hear.
2. Have paper and pencil handy to take notes.
3. Call the appropriate phone number listed below.
4. ● If you have a push-button (tone signaling) phone, follow the recorded instructions, or
 - If you have a rotary (dial) or push-button (pulse dial) phone, ask the IRS operator for the topic number you want to hear.
5. ● Push-button (tone signaling) service is available 24 hours a day, 7 days a week.
 - Rotary (dial)/push-button (pulse dial) service is available Monday through Friday during regular office hours. (In Hawaii, from 6:30 A.M. to 1:00 P.M.)

ALABAMA
1-800-554-4477

ALASKA
1-800-554-4477

ARIZONA
Phoenix, 252-4909
Elsewhere,
1-800-554-4477

ARKANSAS
1-800-554-4477

CALIFORNIA
Counties of Amador,
Calaveras, Contra Costa,
Marin, and San Joaquin,
1-800-428-4032

Los Angeles, 617-3177
Oakland, 839-4245
Elsewhere,
1-800-554-4477

COLORADO
Denver, 592-1118
Elsewhere,
1-800-554-4477

CONNECTICUT
1-800-554-4477

DELAWARE
1-800-554-4477

DISTRICT of COLUMBIA
628-2929

FLORIDA
Jacksonville, 353-9579
Elsewhere,
1-800-554-4477

GEORGIA
Atlanta, 331-6572
Elsewhere,
1-800-554-4477

HAWAII
1-800-554-4477

IDAHO
1-800-554-4477

ILLINOIS
Chicago, 829-6397
Springfield, 789-0489
Elsewhere,
1-800-554-4477

INDIANA
Indianapolis, 634-1550
Elsewhere,
1-800-554-4477

IOWA
1-800-554-4477

KANSAS
1-800-554-4477

KENTUCKY
1-800-554-4477

LOUISIANA
1-800-554-4477

MAINE
1-800-554-4477

MARYLAND
Baltimore, 244-7306
Elsewhere,
1-800-554-4477

MASSACHUSETTS
Boston, 523-8602
Elsewhere,
1-800-554-4477

MICHIGAN
Detroit, 961-4282
Elsewhere,
1-800-554-4477

MINNESOTA
St. Paul, 224-4288
Elsewhere,
1-800-554-4477

MISSISSIPPI
1-800-554-4477

MISSOURI
St. Louis, 241-4700
Elsewhere,
1-800-554-4477

MONTANA
1-800-554-4477

NEBRASKA
Omaha, 221-3324
Elsewhere,
1-800-554-4477

NEVADA
1-800-554-4477

NEW HAMPSHIRE
1-800-554-4477

NEW JERSEY
Newark, 624-1223
Elsewhere,
1-800-554-4477

NEW MEXICO
1-800-554-4477

NEW YORK
Brooklyn, 858-4461
Buffalo, 856-9320
Manhattan, 406-4080
Queens, 858-4461
Staten Island,
858-4461
Elsewhere,
1-800-554-4477

NORTH CAROLINA
1-800-554-4477

NORTH DAKOTA
1-800-554-4477

OHIO
Cincinnati, 421-0329
Cleveland, 522-3037
Elsewhere,
1-800-554-4477

OKLAHOMA
1-800-554-4477

OREGON
Portland, 294-5363
Elsewhere,
1-800-554-4477

PENNSYLVANIA
Philadelphia, 592-8946
Pittsburgh, 281-3120
Elsewhere,
1-800-554-4477

RHODE ISLAND
1-800-554-4477

SOUTH CAROLINA
1-800-554-4477

SOUTH DAKOTA
1-800-554-4477

TENNESSEE
Nashville, 242-1541
Elsewhere,
1-800-554-4477

TEXAS
Dallas, 767-1792
Houston, 850-8801
Elsewhere,
1-800-554-4477

UTAH
1-800-554-4477

VERMONT
1-800-554-4477

VIRGINIA
Richmond, 771-2369
Elsewhere,
1-800-554-4477

WASHINGTON
Seattle, 343-7221
Elsewhere,
1-800-554-4477

WEST VIRGINIA
1-800-554-4477

WISCONSIN
Milwaukee, 291-1783
Elsewhere,
1-800-554-4477

WYOMING
1-800-554-4477

Tele-Tax Topic Numbers and Subjects

Topic No.	Subject
IRS Procedures and Services	
101	IRS help available—Volunteer tax assistance programs, toll-free telephone, walk-in assistance, and outreach program
102	Tax assistance for handicapped individuals and the deaf
103	Small business tax workshops - Tax help for new businesses
104	Problem resolution program—Special help for problem situations
105	Public libraries—Tax information tapes and reproducible tax forms
106	Examination procedures and how to prepare for an audit
107	The collection process
108	Tax fraud—How to report
109	Special enrollment examination to practice before IRS
110	Organizations—How to apply for exempt status
111	Audit appeal rights
112	Electronic filing
999	Local information
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151	Who must file?
152	Which form—1040, 1040A, or 1040EZ?
153	When, where, and how to file
154	Filing requirements for a dependent child
155	Filing as single
156	Filing joint or separate
157	Filing as head of household
158	Filing as qualifying widow/widower
159	Filing status for separated individuals
160	Dependent—Who can be claimed?
161	Dependent child—Divorced or separated parents
162	Dependent—Items to determine support
163	Estimated tax
164	Amended returns
165	Decedents
166	Deduction for age/blindness
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201	Wages and salaries
202	Tips
203	Interest received
204	Dividends
205	Refund of state and local taxes
206	Alimony received
207	Business income
208	Sole proprietorship
209	Capital gains and losses
210	Pensions and annuities
211	Pensions—The general rule
212	Lump-sum distributions—Profit-sharing plans
213	Rental income and expenses
214	Renting vacation property/Renting to relatives
215	Royalties
216	Farming and fishing income
217	Earnings for clergy
218	Unemployment compensation
219	Gambling income and expenses
220	Bartering income
221	Scholarships, fellowships, and grants
222	Nontaxable income
223	Social security and tier 1 railroad retirement taxability
224	Social Security Benefit Statement—Form SSA-1099
225	401(K) plans
226	Passive activities—Losses/Credits

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252	Individual retirement arrangements (IRAs)
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254	Bad debt deduction
255	Tax shelters
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303	Taxes
304	Moving expenses
305	Interest expense
306	Contributions
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308	Miscellaneous expenses
309	Business use of home
310	Business use of car
311	Business travel expenses
312	Business entertainment expenses
313	Educational expenses
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351	Tax table/Tax rate schedules
352	Tax and credits figured by IRS
353	Self-employment tax
354	Five-year averaging for lump-sum distributions
355	Alternative minimum tax
356	Gift tax
357	Estate tax
358	Standard deduction
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401	Child care credit
402	Earned income credit
403	Credit for the elderly or for the permanently and totally disabled
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451	Substitute tax forms
452	Highlights of 1987 tax changes
453	Refunds—How long they should take
454	Copy of your tax return—How to get one
455	Forms/Publications—How to order
456	Tax shelter registration
457	Extensions for time to file your tax return
458	Form W-2—What to do if not received
459	Highlights of 1988 tax changes
460	Penalty for underpayment of estimated tax
461	Recordkeeping
462	How to choose a tax preparer
463	Failure to pay child/spousal support and other Federal obligations
464	Withholding on interest and dividends
465	Highway use tax
466	Checklist/Common errors when preparing your tax return
467	Withholding on pensions and annuities
468	Foreign currency transactions
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501	Notices—What to do
502	Your tax form is overdue—Let us hear from you
503	Second request for information about your tax form
504	Notice of intent to levy
505	Notice of underreported income—CP2000
506	IRS notices and bills/Penalty and interest charges

Topic No.	Subject
Basis of Assets, Depreciation, Sale of Assets	
551	Sale of personal residence—General
552	Sale of personal residence—How to report gain
553	Sale of personal residence—Exclusion of gain, age 55 and over
554	Basis of assets
555	Depreciation—General
556	Depreciation—Accelerated cost recovery system
557	Installment sales
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601	Social security withholding rates
602	Form W-2—Where, when and how to file
603	Form W-4—Employee's Withholding Allowance Certificate
604	Federal tax deposits—General
605	Employer identification number—How to apply
606	Form 942—Employer's Quarterly Tax Return for Household Employees
607	Form 941—Deposit requirements
608	Form 941—Employer's Quarterly Federal Tax Return
609	Form 940—Deposit requirements
610	Form 940—Employer's Annual Federal Unemployment Tax Return
611	Targeted jobs credit
612	Tips—Withholding and reporting
Magnetic Media Information	
651	Who must file?
652	Acceptable media/Locating a third party to prepare your files
653	Applications, forms, and information
654	Waivers, extensions, and format deviations
655	Test files and combined Federal/State filing
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701	Resident and nonresident aliens
702	Dual-status alien
703	Alien tax clearance
704	Foreign earned income exclusion—General
705	Foreign earned income exclusion—Who qualifies?
706	Foreign earned income exclusion—What income qualifies?
707	Foreign tax credit
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751	Who must file?
752	Which form to use?
753	Filing status—Single, married filing jointly, and married filing separately
754	Filing status—Head of household and qualifying widow/widower
755	Earned income credit
756	Highlights of 1987 tax changes
757	Forms and publications—How to order
758	Alien tax clearance
759	Refunds—How long they should take
760	IRS help available—Volunteer tax assistance programs, toll-free telephone, walk-in assistance, and outreach program
761	Social security and tier 1 railroad retirement taxability
762	Social Security Benefit Statement—Form SSA-1099

To Call IRS Toll-Free for Answers to Your Federal Tax Questions, Use Only the Number Listed Below for Your Area.

"Toll-free" is a telephone call for which you pay only local charges with no long-distance charge. Please use a local city number only if it is not a long-distance call for you. Do not dial 800 when using a local city number.

We are happy to answer questions to help you prepare your return. But you should know that you are responsible for the accuracy of your return. If we do make an error, you are still responsible for the payment of the correct tax.

To make sure that IRS employees give courteous responses and correct information to taxpayers, a second IRS employee sometimes listens in on telephone calls. No record is kept of any taxpayer's name, address, or social security number.

If you find it necessary to write instead of call, please address your letter to your IRS District Director for a prompt reply. Make sure you include your social security number or taxpayer identifying number when you write.

The IRS has a telephone service called Tele-Tax. It provides automated refund information and recorded tax information on about 150 topics covering such areas as filing requirements, dependents, itemized deductions, and tax credits. Tele-Tax is available 24 hours a day, 7 days a week, to taxpayers using push-button (tone signaling) telephones, and Monday through Friday, during office hours, to taxpayers using push-button (pulse dial) or rotary (dial) phones. See Tele-Tax Information in the index for the page numbers that contain telephone numbers, available topics, and instructions describing how to use this service.

ALABAMA

1-800-424-1040

ALASKA

Anchorage, 561-7484
Elsewhere, 1-800-424-1040

ARIZONA

Phoenix, 257-1233
Elsewhere, 1-800-424-1040

ARKANSAS

1-800-424-1040

CALIFORNIA

Please call the telephone number shown in the white pages of your local telephone directory under U.S. Government, Internal Revenue Service, Federal Tax Assistance.

COLORADO

Denver, 825-7041
Elsewhere, 1-800-424-1040

CONNECTICUT

1-800-424-1040

DELAWARE

1-800-424-1040

DISTRICT of COLUMBIA

488-3100

FLORIDA

Jacksonville, 354-1760
Elsewhere, 1-800-424-1040

GEORGIA

Atlanta, 522-0050
Elsewhere, 1-800-424-1040

HAWAII

Oahu, 541-1040
Elsewhere, 1-800-424-1040

IDAHO

1-800-424-1040

ILLINOIS

Chicago, 435-1040
Elsewhere, 1-800-424-1040

INDIANA

Indianapolis, 269-5477
Elsewhere, 1-800-424-1040

IOWA

Des Moines, 283-0523
Elsewhere, 1-800-424-1040

KANSAS

1-800-424-1040

KENTUCKY

1-800-424-1040

LOUISIANA

1-800-424-1040

MAINE

1-800-424-1040

MARYLAND

Baltimore, 962-2590
Montgomery County, 488-3100
Prince George's County, 488-3100
Elsewhere, 1-800-424-1040

MASSACHUSETTS

Boston, 523-1040
Elsewhere, 1-800-424-1040

MICHIGAN

Detroit, 237-0800
Elsewhere, 1-800-424-1040

MINNESOTA

Minneapolis, 291-1422
St. Paul, 291-1422
Elsewhere, 1-800-424-1040

MISSISSIPPI

1-800-424-1040

MISSOURI

St. Louis, 342-1040
Elsewhere, 1-800-424-1040

MONTANA

1-800-424-1040

NEBRASKA

Omaha, 422-1500
Elsewhere, 1-800-424-1040

NEVADA

1-800-424-1040

NEW HAMPSHIRE

1-800-424-1040

NEW JERSEY

Newark, 622-0600
Elsewhere, 1-800-424-1040

NEW MEXICO

1-800-424-1040

NEW YORK

Bronx, 732-0100
Brooklyn, 596-3770
Buffalo, 855-3955
Manhattan, 732-0100
Nassau, 222-1131
Queens, 596-3770
Rockland County, 997-1510
Staten Island, 596-3770
Suffolk, 724-5000
Westchester County, 997-1510
Elsewhere, 1-800-424-1040

NORTH CAROLINA

1-800-424-1040

NORTH DAKOTA

1-800-424-1040

OHIO

Cincinnati, 621-6281
Cleveland, 522-3000
Elsewhere, 1-800-424-1040

OKLAHOMA

1-800-424-1040

OREGON

Eugene, 485-8286
Portland, 221-3960
Salem, 581-8721
Elsewhere, 1-800-424-1040

PENNSYLVANIA

Philadelphia, 574-9900
Pittsburgh, 281-0112
Elsewhere, 1-800-424-1040

PUERTO RICO

San Juan Metro Area, 753-4040
Isla DDD, 753-4549

RHODE ISLAND

1-800-424-1040

SOUTH CAROLINA

1-800-424-1040

SOUTH DAKOTA

1-800-424-1040

TENNESSEE

Nashville, 259-4601
Elsewhere, 1-800-424-1040

TEXAS

Dallas, 742-2440
El Paso, 532-6116
Ft. Worth, 263-9229
Houston, 965-0440
Elsewhere, 1-800-424-1040

UTAH

1-800-424-1040

VERMONT

1-800-424-1040

VIRGINIA

Bailey's Crossroads, 557-9230
Richmond, 649-2361
Elsewhere, 1-800-424-1040

WASHINGTON

Seattle, 442-1040
Elsewhere, 1-800-424-1040

WEST VIRGINIA

1-800-424-1040

WISCONSIN

Milwaukee, 271-3780
Elsewhere, 1-800-424-1040

WYOMING

1-800-424-1040

Telephone Assistance Services for Deaf Taxpayers Who Have Access to TV / Telephone—TTY Equipment.

Indiana residents,
1-800-382-4059

Elsewhere in U.S., including Alaska, Hawaii, Virgin Islands, and Puerto Rico,
1-800-428-4732

Hours of Operation

8:00 A.M. to 6:45 P.M. EST
(Jan. 1–April 15)

8:00 A.M. to 4:30 P.M. EST
(April 16–Dec. 31)

Need Additional Forms or Publications?

If you do not have any tax questions and you only need tax forms and publications, you can—

- Visit your local bank or post office for Forms 1040, 1040A, 1040EZ and Schedules A&B and their related instructions.
- Visit your local library that stocks a wider variety of forms and publications.
- Visit your local IRS office.
- Use the handy order blank on the next to the last page of the instructions. You should receive the items you order within 2 weeks of the time you mail your request.
- Call our toll-free "Forms Only" number (1-800-424-FORM (3676)). The hours of operation during the filing season are 8:00 A.M. to 8:00 P.M. (Monday–Friday) and 9:00 A.M. to 3:00 P.M. (Saturdays). You should receive your order within 7 to 10 work days after you call.

How To Get Forms

Generally, we mail forms and schedules directly to you based on what seems to be right for you. Schedules and forms you may need are listed below. Also see list of related publications.

You can order the following items from IRS or get them at many participating banks, post offices, or libraries:

Form 1040, U.S. Individual Income Tax Return
Instructions for Form 1040

Form 1040A
Instructions for Form 1040A

Form 1040EZ
Instructions for Form 1040EZ

Schedule A for itemized deductions

Schedule B for interest income if more than \$400; for dividends and other distributions on stock if more than \$400; and for answering the Foreign Accounts or Foreign Trusts questions

You can photocopy the following items (as well as those listed above) at many participating libraries or order them from IRS:

Schedule C, Profit or (Loss) From Business or Profession

Schedule D, Capital Gains and Losses and Reconciliation of Forms 1099-B

Schedule E, Supplemental Income Schedule

Schedule F, Farm Income and Expenses

Schedule R, Credit for the Elderly or for the Permanently and Totally Disabled

Schedule SE, Computation of Social Security Self-Employment Tax

Form 1040-ES, Estimated Tax for Individuals

Form 2106, Employee Business Expenses

Form 2119, Sale or Exchange of Principal Residence

Form 2210, Underpayment of Estimated Tax by Individuals

Form 2441, Credit for Child and Dependent Care Expenses

Form 3468, Computation of Investment Credit

Form 3903, Moving Expenses

Form 4136, Computation of Credit for Federal Tax on Gasoline and Special Fuels

Form 4562, Depreciation and Amortization

Form 4684, Casualties and Thefts

Form 4797, Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions

Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return

Form 5695, Residential Energy Credit Carryforward

Form 6251, Alternative Minimum Tax—Individuals

Form 8283, Noncash Charitable Contributions

Form 8332, Release of Claim to Exemption for Child of Divorced or Separated Parents

Form 8582, Passive Activity Loss Limitations

Form 8598, Home Mortgage Interest

Form 8606, Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions

Form 8615, Computation of Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,000

How To Get Publications

The following publications can be ordered from IRS or you can read or photocopy them at many participating libraries:

17 Your Federal Income Tax

54 Tax Guide for U.S. Citizens and Resident Aliens Abroad

334 Tax Guide for Small Business

463 Travel, Entertainment, and Gift Expenses

501 Exemptions and Standard Deduction

502 Medical and Dental Expenses

503 Child and Dependent Care Credit, and Employment Taxes for Household Employers

504 Tax Information for Divorced or Separated Individuals

505 Tax Withholding and Estimated Tax

508 Educational Expenses

521 Moving Expenses

523 Tax Information on Selling Your Home

524 Credit for the Elderly or for the Permanently and Totally Disabled

525 Taxable and Nontaxable Income

526 Charitable Contributions

527 Rental Property

529 Miscellaneous Deductions

530 Tax Information for Owners of Homes, Condominiums, and Cooperative Apartments

531 Reporting Income From Tips

533 Self-Employment Tax

545 Interest Expense

547 Nonbusiness Disasters, Casualties, and Thefts

550 Investment Income and Expenses

552 Recordkeeping for Individuals and a List of Tax Publications

553 Highlights of 1987 Tax Changes

554 Tax Information for Older Americans

575 Pension and Annuity Income

583 Information for Business Taxpayers

587 Business Use of Your Home

590 Individual Retirement Arrangements (IRAs)

596 Earned Income Credit

907 Tax Information for Handicapped and Disabled Individuals

910 Guide to Free Tax Services

915 Social Security Benefits and Equivalent Railroad Retirement Benefits

917 Business Use of a Car

920 Explanation of the Tax Reform Act of 1986 for Individuals

921 Explanation of the Tax Reform Act of 1986 for Business

929 Tax Rules for Children and Dependents

Other publications and forms referred to in the instructions are also available without cost from the "Forms Distribution Center" for your state. See Publication 910 for a complete list of available publications.

Where To Send Your Order for Free Forms and Publications

Please send your order to the "Forms Distribution Center" for your state.

Alabama—P.O. Box 9903, Bloomington, IL 61799
Alaska—P.O. Box 12626, Fresno, CA 93778
Arizona—P.O. Box 12626, Fresno, CA 93778
Arkansas—P.O. Box 9903, Bloomington, IL 61799
California—P.O. Box 12626, Fresno, CA 93778
Colorado—P.O. Box 12626, Fresno, CA 93778
Connecticut—P.O. Box 25866, Richmond, VA 23260
Delaware—P.O. Box 25866, Richmond, VA 23260
District of Columbia—P.O. Box 25866, Richmond, VA 23260
Florida—P.O. Box 25866, Richmond, VA 23260
Georgia—P.O. Box 25866, Richmond, VA 23260
Hawaii—P.O. Box 12626, Fresno, CA 93778
Idaho—P.O. Box 12626, Fresno, CA 93778
Illinois—P.O. Box 9903, Bloomington, IL 61799
Indiana—P.O. Box 9903, Bloomington, IL 61799
Iowa—P.O. Box 9903, Bloomington, IL 61799
Kansas—P.O. Box 9903, Bloomington, IL 61799
Kentucky—P.O. Box 9903, Bloomington, IL 61799
Louisiana—P.O. Box 9903, Bloomington, IL 61799
Maine—P.O. Box 25866, Richmond, VA 23260
Maryland—P.O. Box 25866, Richmond, VA 23260
Massachusetts—P.O. Box 25866, Richmond, VA 23260
Michigan—P.O. Box 9903, Bloomington, IL 61799
Minnesota—P.O. Box 9903, Bloomington, IL 61799
Mississippi—P.O. Box 9903, Bloomington, IL 61799
Missouri—P.O. Box 9903, Bloomington, IL 61799
Montana—P.O. Box 12626, Fresno, CA 93778
Nebraska—P.O. Box 9903, Bloomington, IL 61799
Nevada—P.O. Box 12626, Fresno, CA 93778
New Hampshire—P.O. Box 25866, Richmond, VA 23260

New Jersey—P.O. Box 25866, Richmond, VA 23260
New Mexico—P.O. Box 12626, Fresno, CA 93778
New York—P.O. Box 25866, Richmond, VA 23260
North Carolina—P.O. Box 25866, Richmond, VA 23260
North Dakota—P.O. Box 9903, Bloomington, IL 61799
Ohio—P.O. Box 9903, Bloomington, IL 61799
Oklahoma—P.O. Box 9903, Bloomington, IL 61799
Oregon—P.O. Box 12626, Fresno, CA 93778
Pennsylvania—P.O. Box 25866, Richmond, VA 23260
Rhode Island—P.O. Box 25866, Richmond, VA 23260
South Carolina—P.O. Box 25866, Richmond, VA 23260
South Dakota—P.O. Box 9903, Bloomington, IL 61799
Tennessee—P.O. Box 9903, Bloomington, IL 61799
Texas—P.O. Box 9903, Bloomington, IL 61799
Utah—P.O. Box 12626, Fresno, CA 93778
Vermont—P.O. Box 25866, Richmond, VA 23260
Virginia—P.O. Box 25866, Richmond, VA 23260
Washington—P.O. Box 12626, Fresno, CA 93778
West Virginia—P.O. Box 25866, Richmond, VA 23260
Wisconsin—P.O. Box 9903, Bloomington, IL 61799
Wyoming—P.O. Box 12626, Fresno, CA 93778

Foreign Addresses—Taxpayers with mailing addresses in foreign countries should send this order blank to either: Forms Distribution Center, P.O. Box 25866, Richmond, VA 23260; or Forms Distribution Center, P.O. Box 12626, Fresno, CA 93778, whichever is closer. Send letter requests for other forms and publications to: Forms Distribution Center, P.O. Box 25866, Richmond, VA 23260.

Puerto Rico—Forms Distribution Center, P.O. Box 25866, Richmond, VA 23260

Virgin Islands—V. I. Bureau of Internal Revenue, P.O. Box 3186, St. Thomas, VI 00801

Detach at this Line

Order Blank—We will send you 2 copies of each form and 1 copy of each set of instructions or publication you circle. Please cut the order blank on the dotted line and be sure to print or type your name and address accurately on the other side. This will be the label used to return material to you. Enclose this order blank in your own envelope and address your envelope to the IRS address shown above for your state. To help reduce waste, please order only the forms and publications you think you will need to prepare your return. Use the blank spaces to order items not listed. If you need more space, attach a separate sheet of paper listing the additional forms and publications you may need. Be sure to allow 2 weeks to receive your order.

Circle Desired Forms and Publications		Schedule SE (1040)	4136	8598 & Instructions	Pub. 503	Pub. 527	Pub. 920
		1040-ES (1988)	4562 & Instructions	8606	Pub. 504	Pub. 529	Pub. 921
1040	Schedules A&B (1040)	2106 & Instructions	4684 & Instructions	8615	Pub. 505	Pub. 530	Pub. 929
Instructions for 1040 & Schedules		Schedule C (1040)	2119	4797 & Instructions	Pub. 17	Pub. 508	Pub. 545
1040A	Schedule D (1040)	2210 & Instructions	4868	Pub. 334	Pub. 521	Pub. 552	
1040EZ	Schedule E (1040)	2441	6251 & Instructions	Pub. 463	Pub. 523	Pub. 553	
1040A & 1040EZ Instructions		Schedule F (1040)	3468 & Instructions	8283 & Instructions	Pub. 501	Pub. 524	Pub. 554
1040X & Instructions		Schedule R (1040) & Instructions	3903 & Instructions	8582 & Instructions	Pub. 502	Pub. 526	Pub. 917

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