

Note: This booklet does not contain any tax forms.

DEPARTMENT OF THE TREASURY—INTERNAL REVENUE SERVICE



www.irs.ustreas.gov

# 1997 1040

## Instructions

Including Instructions for  
Schedules A, B, C, D, E, F, and SE

### Explore IRS e-file!

- The quickest way to file—by computer or phone
- The fastest way to get refunds
- The surest way to avoid filing errors and error notices

More details on page 5.

### Check Your Social Security Numbers (SSNs)!

Incorrect or missing SSNs may increase your tax or reduce your refund. See page 6.

### Receiving a Refund?

- Have it directly deposited! See the instructions for lines 62b–62d on page 27.
- Check its status with TeleTax! See page 34.

### Quick and Easy Access to Tax Help and Forms

#### COMPUTER

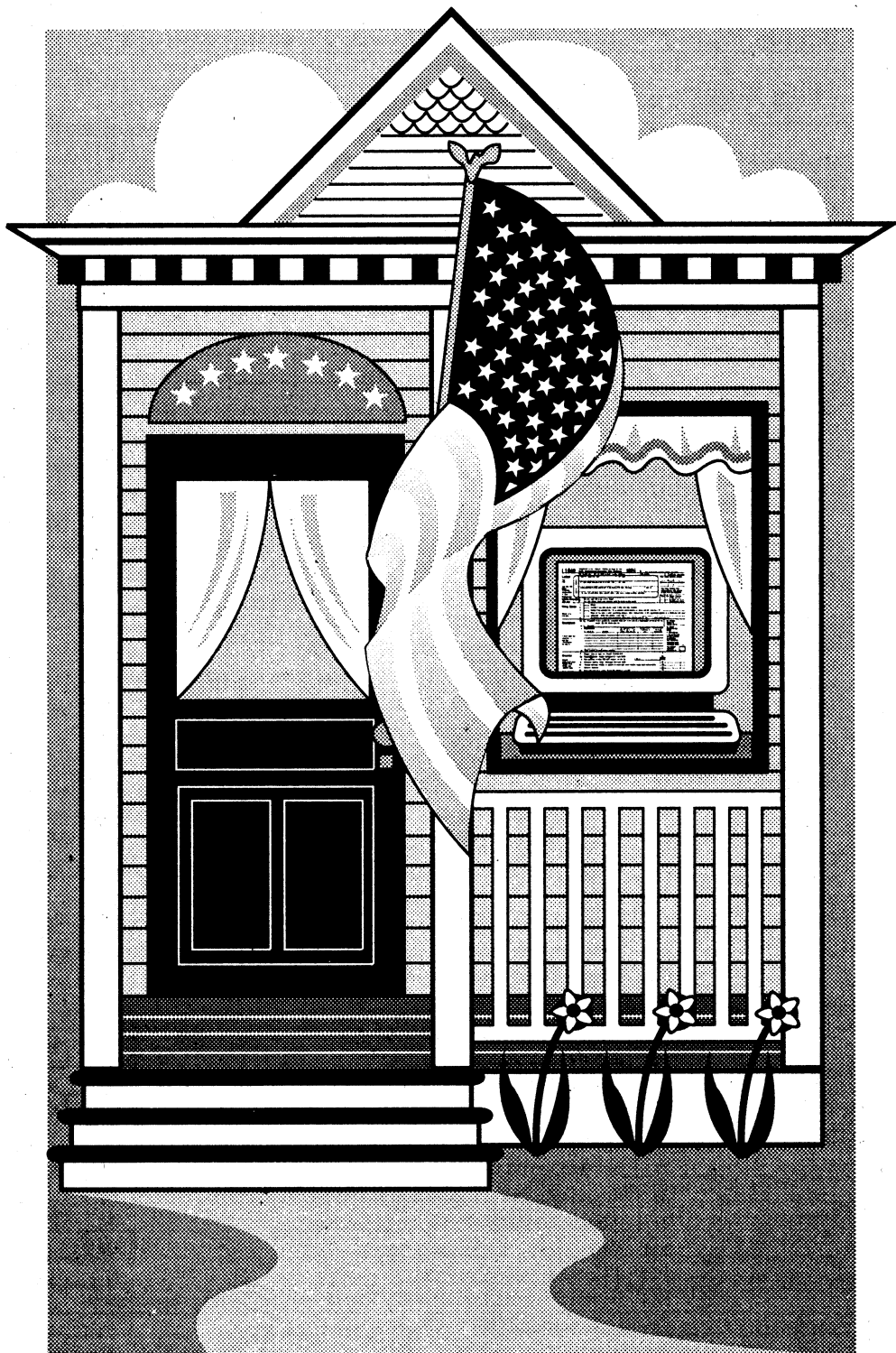
World Wide Web  
www.irs.ustreas.gov

IRIS at FedWorld  
703-321-8020

#### FAX

From your fax machine's  
telephone, dial—  
703-368-9694

**See Page 4!**



# Tax Return Page Reference

*Questions about what to put on a line? Help is on the page number in the circle.*

Form

# 1040

Department of the Treasury—Internal Revenue Service  
**U.S. Individual Income Tax Return**

# 1997

(99) IRS Use Only—Do not write or staple in this space.

**Label** (See instructions on page 10.) **Use the IRS label.** Otherwise, please print or type.

**Presidential Election Campaign** (See page 10.)

<b>10</b>	For the year Jan. 1–Dec. 31, 1997, or other tax year beginning _____, 1997, ending _____, 19	OMB No. 1545-0074
<b>L A B E L  H E R E</b>	Your first name and initial _____ Last name _____	Your social security number _____ <b>10</b>
	If a joint return, spouse's first name and initial _____ Last name _____	Spouse's social security number _____ <b>10</b>
	Home address (number and street). If you have a P.O. box, see page 10. _____ Apt. no. _____	<b>For help in finding line instructions, see pages 2 and 3 in the booklet.</b>
	City, town or post office, state, and ZIP code. If you have a foreign address, see page 10. _____	
<b>10</b>	Do you want \$3 to go to this fund? _____	<b>Yes</b> <input type="checkbox"/> <b>No</b> <input type="checkbox"/>
	If a joint return, does your spouse want \$3 to go to this fund? _____	<b>Note:</b> Checking "Yes" will not change your tax or reduce your refund.

**Filing Status** (See instructions on page 10.)

Check only one box.

<b>10</b>	1	<input type="checkbox"/> Single
	2	<input type="checkbox"/> Married filing joint return (even if only one had income)
	3	<input type="checkbox"/> Married filing separate return. Enter spouse's social security no. above and full name here. ▶ _____
	4	<input type="checkbox"/> Head of household (with qualifying person). (See page 10.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ _____
	5	<input type="checkbox"/> Qualifying widow(er) with dependent child (year spouse died ▶ 19 _____). (See page 10.)

**Exemptions** (See instructions on page 10.)

**6a**  **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, **do not** check box 6a

**b**  **Spouse**

	(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) No. of months lived in your home in 1997	
						No. of boxes checked on 6a and 6b _____
						No. of your children on 6c who: _____
						• lived with you _____
						• did not live with you due to divorce or separation (see page 11) _____ <b>11</b>
						Dependents on 6c not entered above _____
						Add numbers entered on lines above ▶ <input style="width: 40px; height: 20px;" type="text"/>

**d** Total number of exemptions claimed \_\_\_\_\_

**Income** (See instructions on page 10.)

Attach Copy B of your Forms W-2, W-2G, and 1099-R here.

If you did not get a W-2, see page 12.

Enclose but do not attach any payment. Also, please use Form 1040-V.

	7 Wages, salaries, tips, etc. Attach Form(s) W-2	<b>7</b>	<b>11</b>
	8a Taxable interest. Attach Schedule B if required	<b>8a</b>	<b>12</b>
	b Tax-exempt interest. DO NOT include on line 8a	<b>8b</b>	<b>12</b>
	9 Dividends. Attach Schedule B if required	<b>9</b>	<b>12</b>
	10 Taxable refunds, credits, or offsets of state and local income taxes (see page 12)	<b>10</b>	<b>12</b>
	11 Alimony received	<b>11</b>	<b>13</b>
	12 Business income or (loss). Attach Schedule C or C-EZ	<b>12</b>	<b>13</b>
	13 Capital gain or (loss). Attach Schedule D	<b>13</b>	<b>6</b>
	14 Other gains or (losses). Attach Form 4797	<b>14</b>	<b>13</b>
	15a Total IRA distributions	<b>15a</b>	<b>13</b>
	b Taxable amount (see page 13)	<b>15b</b>	<b>13</b>
	16a Total pensions and annuities	<b>16a</b>	<b>13</b>
	b Taxable amount (see page 13)	<b>16b</b>	<b>13</b>
	17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	<b>17</b>	
	18 Farm income or (loss). Attach Schedule F	<b>18</b>	
	19 Unemployment compensation	<b>19</b>	<b>14</b>
	20a Social security benefits	<b>20a</b>	<b>14</b>
	b Taxable amount (see page 14)	<b>20b</b>	<b>14</b>
	21 Other income. List type and amount—see page 15	<b>21</b>	<b>15</b>
	22 Add the amounts in the far right column for lines 7 through 21. This is your <b>total income</b> ▶	<b>22</b>	

**Adjusted Gross Income** (See instructions on page 10.)

If line 32 is under \$29,290 (under \$9,770 if a child did not live with you), see EIC inst. on page 21.

	23 IRA deduction (see page 16)	<b>23</b>	<b>16</b>
	24 Medical savings account deduction. Attach Form 8853	<b>24</b>	<b>17</b>
	25 Moving expenses. Attach Form 3903 or 3903-F	<b>25</b>	<b>17</b>
	26 One-half of self-employment tax. Attach Schedule SE	<b>26</b>	<b>17</b>
	27 Self-employed health insurance deduction (see page 17)	<b>27</b>	<b>17</b>
	28 Keogh and self-employed SEP and SIMPLE plans	<b>28</b>	<b>17</b>
	29 Penalty on early withdrawal of savings	<b>29</b>	<b>17</b>
	30a Alimony paid b Recipient's SSN ▶ _____	<b>30a</b>	<b>17</b>
	31 Add lines 23 through 30a	<b>31</b>	<b>17</b>
	32 Subtract line 31 from line 22. This is your <b>adjusted gross income</b> ▶	<b>32</b>	<b>17</b>

# Tax Return Page Reference

*Questions about what to put on a line? Help is on the page number in the circle.*

<b>Tax Computation</b>	<p><b>33</b> Amount from line 32 (adjusted gross income) <span style="float: right;">33</span></p> <p><b>34a</b> Check if: <input type="checkbox"/> You were 65 or older, <input type="checkbox"/> Blind; <input type="checkbox"/> Spouse was 65 or older, <input type="checkbox"/> Blind. Add the number of boxes checked above and enter the total here <span style="float: right;">▶ 34a</span></p> <p><b>b</b> If you are married filing separately and your spouse itemizes deductions or you were a dual-status alien, see page 18 and check here <span style="float: right;">▶ 34b</span></p> <p><b>35</b> Enter the larger of:  <b>Itemized deductions</b> from Schedule A, line 28, OR  <b>Standard deduction</b> shown below for your filing status. But see page 18 if you checked any box on line 34a or 34b or someone can claim you as a dependent.          • Single—\$4,150    • Married filing jointly or Qualifying widow(er)—\$6,900          • Head of household—\$6,050    • Married filing separately—\$3,450</p> <p><b>36</b> Subtract line 35 from line 33.</p> <p><b>37</b> If line 33 is \$90,900 or less, multiply \$2,650 by the total number of exemptions claimed on line 6d. If line 33 is over \$90,900, see the worksheet on page 19 for the amount to enter.</p> <p><b>38</b> <b>Taxable income.</b> Subtract line 37 from line 36. If line 37 is more than line 36, enter -0-</p> <p><b>39</b> <b>Tax.</b> See page 19. Check if any tax from <b>a</b> <input type="checkbox"/> Form(s) 8814 <b>b</b> <input type="checkbox"/> Form 4972</p>								
<b>Credits</b>	<p><b>40</b> Credit for child and dependent care expenses. Attach Form 2441 <span style="float: right;">40</span></p> <p><b>41</b> Credit for the elderly or the disabled. Attach Schedule R. <span style="float: right;">41</span></p> <p><b>42</b> Adoption credit. Attach Form 8839 <span style="float: right;">42</span></p> <p><b>43</b> Foreign tax credit. Attach Form 1116 <span style="float: right;">43</span></p> <p><b>44</b> Other. Check if from <b>a</b> <input type="checkbox"/> Form 3800 <b>b</b> <input type="checkbox"/> Form 8396  <b>c</b> <input type="checkbox"/> Form 8801 <b>d</b> <input type="checkbox"/> Form (specify) <span style="float: right;">44</span></p> <p><b>45</b> Add lines 40 through 44. <span style="float: right;">45</span></p> <p><b>46</b> Subtract line 45 from line 39. If line 45 is more than line 39, enter -0- <span style="float: right;">▶ 46</span></p>								
<b>Other Taxes</b>	<p><b>47</b> Self-employment tax. Attach Schedule SE. <span style="float: right;">47</span></p> <p><b>48</b> Alternative minimum tax. Attach Form 6251 <span style="float: right;">48</span></p> <p><b>49</b> Social security and Medicare tax on tip income not reported to employer. Attach Form 4137 <span style="float: right;">49</span></p> <p><b>50</b> Tax on qualified retirement plans (including IRAs) and MSAs. Attach Form 5329 if required <span style="float: right;">50</span></p> <p><b>51</b> Advance earned income credit payments from Form(s) W-2 <span style="float: right;">51</span></p> <p><b>52</b> Household employment taxes. Attach Schedule H <span style="float: right;">52</span></p> <p><b>53</b> Add lines 46 through 52. This is your <b>total tax</b> <span style="float: right;">▶ 53</span></p>								
<b>Payments</b>	<p><b>54</b> Federal income tax withheld from Forms W-2 and 1099 <span style="float: right;">54</span></p> <p><b>55</b> 1997 estimated tax payments and amount applied from 1996 return <span style="float: right;">55</span></p> <p><b>56a</b> <b>Earned income credit.</b> Attach Schedule EIC if you have a qualifying child <b>b</b> Nontaxable earned income: amount <span style="float: right;">▶ 56a</span>          and type <span style="float: right;">▶ 56a</span></p> <p><b>57</b> Amount paid with Form 4868 (request for extension) <span style="float: right;">57</span></p> <p><b>58</b> Excess social security and RRTA tax withheld (see page 27) <span style="float: right;">58</span></p> <p><b>59</b> Other payments. Check if from <b>a</b> <input type="checkbox"/> Form 2439 <b>b</b> <input type="checkbox"/> Form 4136 <span style="float: right;">59</span></p> <p><b>60</b> Add lines 54, 55, 56a, 57, 58, and 59. These are your <b>total payments</b> <span style="float: right;">▶ 60</span></p>								
<b>Refund</b>	<p><b>61</b> If line 60 is more than line 53, subtract line 53 from line 60. This is the amount you <b>OVERPAID</b> <span style="float: right;">▶ 61</span></p> <p><b>62a</b> Amount of line 61 you want <b>REFUNDED TO YOU</b> <span style="float: right;">▶ 62a</span></p> <p><b>b</b> Routing number <span style="float: right;">▶ 62a</span></p> <p><b>c</b> Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings <span style="float: right;">▶ 62a</span></p> <p><b>d</b> Account number <span style="float: right;">▶ 62a</span></p> <p><b>63</b> Amount of line 61 you want <b>APPLIED TO YOUR 1998 ESTIMATED TAX</b> <span style="float: right;">▶ 63</span></p>								
<b>Amount You Owe</b>	<p><b>64</b> If line 53 is more than line 60, subtract line 60 from line 53. This is the <b>AMOUNT YOU OWE.</b> For details on how to pay, see page 27 <span style="float: right;">▶ 64</span></p> <p><b>65</b> Estimated tax penalty. Also include on line 64 <span style="float: right;">▶ 65</span></p>								
<b>Sign Here</b>	<p>Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%; border-bottom: 1px solid black;">Your signature <span style="float: right;">28</span></td> <td style="width: 15%; border-bottom: 1px solid black;">Date</td> <td style="width: 45%; border-bottom: 1px solid black;">Your occupation</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Spouse's signature. If a joint return, BOTH must sign.</td> <td style="border-bottom: 1px solid black;">Date</td> <td style="border-bottom: 1px solid black;">Spouse's occupation</td> </tr> </table>			Your signature <span style="float: right;">28</span>	Date	Your occupation	Spouse's signature. If a joint return, BOTH must sign.	Date	Spouse's occupation
Your signature <span style="float: right;">28</span>	Date	Your occupation							
Spouse's signature. If a joint return, BOTH must sign.	Date	Spouse's occupation							
<b>Paid Preparer's Use Only</b>	<p>Preparer's signature <span style="float: right;">28</span></p> <p>Firm's name (or yours if self-employed) and address</p>	<p>Date</p> <p>Check if self-employed <input type="checkbox"/></p>	<p>Preparer's social security no.</p> <p>EIN</p> <p>ZIP code</p>						

# Quick and Easy Access to Tax Help and Forms



## PERSONAL COMPUTER

*Why not use a personal computer and modem to get the forms and information you need?*

Here is a sample of what you will find when you visit the IRS's Internet Web Site at — [www.irs.ustreas.gov](http://www.irs.ustreas.gov)

- Forms and Instructions
- Publications
- Educational Materials
- IRS Press Releases and Fact Sheets
- TeleTax Topics on About 150 Tax Topics
- Answers to Frequently Asked Questions

## You can also reach us using

- Telnet at [iris.irs.ustreas.gov](http://iris.irs.ustreas.gov)
- File Transfer Protocol at [ftp.irs.ustreas.gov](http://ftp.irs.ustreas.gov)
- Direct Dial (by modem)—You can also dial directly to the Internal Revenue Information Services (IRIS) at **703-321-8020**. IRIS is an on-line information service on FedWorld.



## FAX

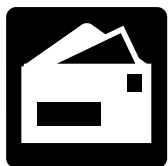
*Just call **703-368-9694** from the telephone connected to the fax machine to get the following:*

## Forms and Instructions

We can fax you over 100 of the most requested forms and instructions. (See pages 36 and 37 for a list of the items.)

## TeleTax Topics

We can also fax you TeleTax topics covering about 150 tax topics. (See pages 34 and 35 for a list of the topics.)



## MAIL

*You can order forms, instructions, and publications by completing the order blank on page 31.*



## PHONE

*You can also get forms and information, including the status of your refund, by phone.*

## Forms and Publications

You can order forms, instructions, and publications by phone. Just call **1-800-TAX-FORM** (1-800-829-3676) between 7:30 a.m. and 5:30 p.m. on weekdays. The best time to call is before 9 a.m. or after 2 p.m. Thursdays and Fridays are the best days to call. (The hours are Pacific time in Alaska and Hawaii, Eastern time in Puerto Rico.) You should receive your order or notification of its status within 7 to 15 workdays.

## TeleTax Topics

You can listen to pre-recorded messages covering about 150 tax topics. (See pages 34 and 35 for the number to call and a list of the topics.)

## Refund Information

You can check on the status of your 1997 refund using TeleTax's Refund Information service. (See page 34.)



## WALK-IN

*You can pick up certain forms, instructions, and publications at many post offices, libraries, and IRS offices. See page 32 for a partial list of products. You can also photocopy, or print out from a CD-ROM or the Internet, many other products at participating libraries.*



## CD-ROM

*To order the CD-ROM, call **202-512-1800** or connect to [www.access.gpo.gov/su\\_docs](http://www.access.gpo.gov/su_docs) by computer.*

The CD-ROM contains over 2,000 tax forms and publications for small businesses, return preparers, and others who frequently need current or prior year tax products. Popular tax forms on the CD-ROM may be filled-in electronically, then printed out for submission. Other products on the CD-ROM include the Internal Revenue Bulletin, Tax Supplements, and Internet resources for the tax professional with links to the World Wide Web. The CD-ROM can be purchased from the Government Printing Office (GPO), Superintendent of Documents for \$17 plus the cost of either regular postage (\$3) or express delivery (\$8.50).

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**You can also get help in other ways—**See page 30 for information.

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# IRS *e-file*. Click. Zip. Fast Round Trip!



You can take advantage of the benefits of *e-file* if:

- you're expecting a **REFUND** and want it in **half the time**
- you want to file the **FASTEST** and most **ACCURATE** way possible (thereby reducing your likelihood of receiving an error notice)
- you want **PROOF** your return has been accepted

- OR -

- you want to file your Federal and state tax returns together



## Filing Season

*e-file* means a fast refund—even faster with **Direct Deposit!**

"IRS offers a number of electronic services to make tax time easier. Forms and information are available on the Internet or by fax. In addition, you can file your return electronically using *e-file*! Last year, over 19 million taxpayers (people just like you!) chose an *e-file* option to send us their tax return—mostly because they wanted a **FAST REFUND!** With *e-file*, we offer a number of filing options. You can ask your tax professional to *e-file*, or if you prefer, file it from home using your personal computer. If you receive a *TeleFile Tax Package*, use a Touch-Tone telephone."

**Mike Dolan, Deputy Commissioner, IRS**



## *e-file* Using A Tax Professional

Whether you prepare your own return and have a professional *e-file* it or have a tax professional prepare AND *e-file* your return, look for this sign.

## *e-file* From Your Personal Computer

File electronically from your home using tax preparation software, a personal computer, and a modem.

## *e-file* By Phone

With *TeleFile*, a tax return can be filed with a Touch-Tone phone in about 10 minutes. It is **FREE**, available 24 hours a day, 7 days a week for those who receive the *TeleFile Tax Package*.

**Get all the details on page 30.**

"I've been filing electronically for the past four years and think it's GREAT! It's simple, FAST, and what's more provides an acknowledgement that IRS received my return! I particularly like the Direct Deposit feature! I truly believe that if more taxpayers tried it, they'd be convinced that it's the **ONLY** way to file their tax return especially since it lessens their likelihood of receiving an error notice."

**James Donelson, Chief Taxpayer Service, IRS**

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## IRS Customer Service Standards



At the IRS our goal is to continually improve the quality of our services. To achieve that goal, we have developed customer service standards in the following areas:

- **Easier filing**
- **Access to information**
- **Accuracy**

- **Prompt refunds**
- **Initial contact resolution**
- **Canceling penalties**
- **Resolving problems**
- **Simpler forms**

If you would like information about the IRS standards and a report of our accomplishments, see **Pub. 2183**.

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# Before You Fill In Form 1040

See *How To Avoid Common Mistakes* on page 28.

If you were a participant in Operation Joint Guard or you were in the Persian Gulf area combat zone, see **Pub. 3**.



For details on these and other changes, see **Pub. 553** or **What's Hot** at [www.irs.ustreas.gov](http://www.irs.ustreas.gov).

## What's New for 1997?

### Capital Gains Tax Rates

The tax rates have been lowered for most capital gains after May 6, 1997. Use new Part IV of **Schedule D** to figure your tax if you have a net capital gain. See the instructions for Schedule D for more details.

**Capital Gain Distributions.** You must now report your capital gain distributions on Schedule D, even if you do not have any other capital gains or losses.

### Sale of Your Home

If you sold your home after May 6, 1997, you may be able to exclude up to \$250,000 of gain from the sale (\$500,000 on a joint return). See **Form 2119**.

### Social Security Numbers (SSNs)

You must include on your return the correct SSN of each person you claim as a—

- Dependent on Form 1040 (for example, your child).
- Qualifying person for the child and dependent care credit on **Form 2441**.
- Qualifying child on **Schedule EIC** for the earned income credit.

If you do not, at the time we process your return, we may disallow that person as a dependent and reduce or disallow any other tax benefits (such as the credits listed above) based on that person. To find out how to get an SSN, see page 10.

**Exception.** If the person does not have and cannot get an SSN, enter that person's individual taxpayer identification number (ITIN) or adoption taxpayer identification number (ATIN). However, you **cannot** claim a person as a qualifying child on Schedule EIC unless he or she has an SSN. See page 10 for details on ITINs and this page for details on ATINs.

### Adoption Expenses

If you paid qualified adoption expenses in 1997 and the adoption was final in or before 1997, you may be able to take a credit of up to \$5,000 (\$6,000 for a child with special needs). See **Form 8839** for details. If you received employer-provided adoption benefits in 1997, you must use Form 8839 to figure the amount of benefits you may exclude from your income.

**Adoption Taxpayer Identification Numbers (ATINs).** If you have a child who was

placed with you by an authorized placement agency, you may be able to claim the child as your dependent and also claim the child and dependent care credit. However, if you do not know the child's SSN, you must get an ATIN for the child from the IRS. See **Form W-7A** for details.

### Spousal IRAs

On a joint return, up to \$2,000 may be contributed to each spouse's IRA, even if only one spouse had earned income. See the worksheet on page 16 for details.

### Penalty-Free IRA Distributions

The additional tax on an early distribution from an IRA may not apply if you paid medical expenses in 1997. See **Form 5329** for details.

### Self-Employed Health Insurance

You may be able to deduct up to 40% of your health insurance. See the instructions for line 27 on page 17 for details.

### Medical Savings Accounts (MSAs)

If you or your employer made contributions to your MSA for 1997, you must file **Form 8853**. If you made the contributions, you may be able to take a deduction on Form 1040, line 24.

### Long-Term Care Insurance

Qualified long-term care insurance premiums and the unreimbursed expenses for the care of a chronically ill individual may be deductible as medical expenses. See **Pub. 502** for details. If you received benefits under a long-term care insurance contract, see **Form 8853**.

### Accelerated Death Benefits

See **Form 8853** if you received accelerated death benefits under a life insurance contract or from a viatical settlement provider. Generally, a viatical settlement is an arrangement that lets terminally ill individuals sell their life insurance policies.

### Business Standard Mileage Rate

The rate for business use of a vehicle has increased to 31.5 cents a mile.

### Earned Income Credit (EIC)

You may be able to take this credit if you earned less than \$29,290 (less than \$9,770 if you do not have any qualifying children). See the instructions for lines 56a and 56b that begin on page 21.

**Caution:** If it is determined that you are not entitled to the EIC you claim, you may not be allowed to take the credit for certain future years. See **Pub. 596** for details.

## What To Look for in 1998

**Dependent Child Credit.** You may be able to take a \$400 credit for each of your dependent children under age 17. For more than two eligible children, you may be able to take a larger credit.

**Student Loan Interest.** You may be able to deduct up to \$1,000 of the interest you pay on a loan for qualified education expenses for yourself, your spouse, or your dependents. The deduction is allowed in figuring adjusted gross income. But you **cannot** take the deduction if you can be claimed as a dependent on someone else's 1998 tax return.

### Credits for Higher Education Expenses.

You may be able to take the HOPE credit for tuition and related expenses you pay for yourself, your spouse, or dependents to enroll at or attend an eligible educational institution. However, this credit only applies to the first 2 years of postsecondary education. For qualified expenses paid after June 30, 1998, you may be able to take the Lifetime Learning credit. This credit is not limited to the first 2 years of postsecondary education.

**Education IRAs.** You may be able to contribute up to \$500 each year to an Education IRA for a person under age 18. The contributions are not deductible.

### IRA Deduction Restored for Some People Covered by Retirement Plans.

You may be able to take an IRA deduction if you are covered by a retirement plan and your 1998 modified adjusted gross income is less than \$40,000 if not married (\$60,000 if married filing jointly or qualifying widow(er)). If you are not covered by a plan but your spouse is, new rules apply.

**Roth IRAs.** You may be able to contribute up to \$2,000 to a Roth IRA. Although the contributions are not deductible, the earnings may be tax free depending on when and why withdrawals are made.

**Penalty-Free IRA Distributions.** The additional tax on an early distribution from an IRA may not apply if you pay higher education expenses for yourself, your spouse, or your children or grandchildren. The tax also may not apply if you pay expenses related to the purchase of a home by a first-time homebuyer.

**Estimated Tax Penalty.** You generally will not owe an estimated tax penalty if your 1998 tax return shows a balance due the IRS of less than \$1,000.

**Self-Employed Health Insurance.** You may be able to deduct up to 45% of your health insurance.

# Filing Requirements

**Note:** These rules apply to all U.S. citizens, regardless of where they live, and resident aliens.

## Do You Have To File?

Use **Chart A, B, or C** to see if you must file a return. U.S. citizens who lived in or had income from a U.S. possession should see **Pub. 570**. Residents of Puerto Rico can use TeleTax topic 901 (see page 34) to see if they must file.



*Even if you do not otherwise have to file a return, you should file one to get a refund of any Federal income tax withheld. You should also file if you are eligible for the earned income credit.*

### Exception for Children Under Age 14

If you are planning to file a return for your child who was under age 14 on January 1, 1998, and certain other conditions apply, you may elect to report your child's income on your return. But you must use **Form 8814** to do so. If you make this election, your child does not have to file a return. For details, use TeleTax topic 553 (see page 34) or see Form 8814.

### Nonresident Aliens and Dual-Status Aliens

These rules also apply to nonresident aliens and dual-status aliens who were married to U.S. citizens or residents at the end of 1997 and who have elected to be taxed as resident aliens. Other nonresident aliens and dual-status aliens have different filing requirements. They may have to file **Form 1040NR** or **Form 1040NR-EZ**. Specific rules apply to determine if you are a resident or nonresident alien. See **Pub. 519** for details, including the rules for students and scholars who are aliens.

## When Should You File?

Not later than **April 15, 1998**. If you file after this date, you may have to pay penalties and interest. See page 30.

### What if You Cannot File on Time?

If you know that you cannot file your return by the due date, you should file **Form 4868** by April 15, 1998.

**Chart A—For Most People**

IF your filing status is . . .	AND at the end of 1997 you were* . . .	THEN file a return if your gross income** was at least . . .
Single	under 65	\$6,800
	65 or older	7,800
Married filing jointly***	under 65 (both spouses)	\$12,200
	65 or older (one spouse)	13,000
	65 or older (both spouses)	13,800
Married filing separately	any age	\$2,650
Head of household (see page 10)	under 65	\$8,700
	65 or older	9,700
Qualifying widow(er) with dependent child (see page 10)	under 65	\$9,550
	65 or older	10,350

\* If you turned age 65 on January 1, 1998, you are considered to be age 65 at the end of 1997.

\*\* **Gross income** means all income you received in the form of money, goods, property, and services that is not exempt from tax, including any gain on the sale of your home (even if you may exclude or postpone part or all of the gain). **Do not** include social security benefits unless you are married filing a separate return and you lived with your spouse at any time in 1997.

\*\*\* If you did not live with your spouse at the end of 1997 (or on the date your spouse died) and your gross income was at least \$2,650, you must file a return regardless of your age.

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

But if you are a U.S. citizen or resident, you may qualify for an automatic extension of time to file without filing Form 4868, if, on the due date of your return, you meet one of the following conditions:

- You live outside the United States and Puerto Rico, AND your main place of business or post of duty is outside the United States and Puerto Rico.
- You are in military or naval service on duty outside the United States and Puerto Rico.

This extension gives you an extra 2 months to file and pay the tax, but interest will be charged from the original due date of the return on any unpaid tax. You must attach a statement to your return showing that you meet the requirements.

## Where Do You File?

See the back cover of this booklet for filing instructions and addresses.

## Private Delivery Services

You can use certain private delivery services designated by the IRS to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. The IRS publishes a list of the designated private delivery services in September of each year. The list published in September 1997 includes only the following:

- Airborne Express (Airborne): Overnight Air Express Service, Next Afternoon Service, Second Day Service.
- DHL Worldwide Express (DHL): DHL "Same Day" Service, DHL USA Overnight.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M.

The private delivery service can tell you how to get written proof of the mailing date.

**Caution:** Private delivery services cannot deliver items to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box address.

**Chart B—For Children and Other Dependents** (See the instructions for line 6c that begin on page 10 to find out if someone can claim you as a dependent.)

If your parent (or someone else) can claim you as a dependent, use this chart to see if you must file a return.

In this chart, **unearned income** includes taxable interest and dividends. **Earned income** includes wages, tips, and taxable scholarship and fellowship grants.

**Caution:** *If your gross income was \$2,650 or more, you usually cannot be claimed as a dependent unless you were under age 19 or a student under age 24. For details, see Pub. 501.*

**Single dependents.** Were you **either** age 65 or older **or** blind?

**No.** You must file a return if—

<u>Your unearned income was:</u>	<b>AND</b>	<u>The total of that income plus your earned income was:</u>
\$1 or more		over \$650
\$0		over \$4,150

**Yes.** You must file a return if **any** of the following apply.

- Your earned income was over \$5,150 (\$6,150 if 65 or older **and** blind).
- Your unearned income was over \$1,650 (\$2,650 if 65 or older **and** blind).
- Your gross income was more than—

<u>The larger of:</u>	<b>PLUS</b>	<u>This amount:</u>
\$650 or your earned income (up to \$4,150)		\$1,000 (\$2,000 if 65 or older <b>and</b> blind)

**Married dependents.** Were you **either** age 65 or older **or** blind?

**No.** You must file a return if **either** of the following apply.

- Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.

<u>Your unearned income was:</u>	<b>AND</b>	<u>The total of that income plus your earned income was:</u>
\$1 or more		over \$650
\$0		over \$3,450

**Yes.** You must file a return if **any** of the following apply.

- Your earned income was over \$4,250 (\$5,050 if 65 or older **and** blind).
- Your unearned income was over \$1,450 (\$2,250 if 65 or older **and** blind).
- Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
- Your gross income was more than—

<u>The larger of:</u>	<b>PLUS</b>	<u>This amount:</u>
\$650 or your earned income (up to \$3,450)		\$800 (\$1,600 if 65 or older <b>and</b> blind)

**Chart C—Other Situations When You Must File**

If any of the four conditions below applied to you for 1997, you must file a return.

**1.** You owe any special taxes, such as:

- Social security and Medicare tax on tips you did not report to your employer,
- Uncollected social security and Medicare or RRTA tax on tips you reported to your employer or on group-term life insurance,
- Alternative minimum tax,
- Tax on a qualified retirement plan, including an individual retirement arrangement (IRA), or on a medical savings account (MSA), or
- Recapture taxes. (See the instructions for line 53 on page 21.)

**2.** You received any advance earned income credit (EIC) payments from your employer. These payments should be shown in box 9 of your W-2 form.

**3.** You had net earnings from self-employment of at least \$400.

**4.** You had wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes.



# Where To Report Certain Items From 1997 Forms W-2, 1098, and 1099

Report any amounts shown on these forms as **Federal income tax withheld** on Form 1040, line 54. If you itemize your deductions, report any amounts shown on these forms as **state or local income tax withheld** on Schedule A, line 5.

Form	Item and Box in Which It Should Appear	Where To Report if Filing Form 1040
W-2	Wages, salaries, tips, etc. (box 1) Allocated tips (box 8) Advance EIC payments (box 9) Dependent care benefits (box 10) Adoption benefits (box 13, code T) Employer contributions to an MSA (box 13, code R)	Form 1040, line 7 See <b>Tip income</b> on page 11 Form 1040, line 51 Form 2441, line 10 Form 8839, line 13 Form 8853, line 3b
W-2G	Gambling winnings (box 1)	Form 1040, line 21 (Schedule C or C-EZ for professional gamblers)
1098	Mortgage interest (box 1) Points (box 2) Refund of overpaid interest (box 3)	Schedule A, line 10* Form 1040, line 21, but first see the instructions on Form 1098*
1099-A	Acquisition or abandonment of secured property	See Pub. 544
1099-B	Stocks, bonds, etc. (box 2) Bartering (box 3) Futures contracts (box 9)	Schedule D See Pub. 525 Form 6781
1099-C	Canceled debt (box 2)	Form 1040, line 21, but first see the instructions on Form 1099-C*
1099-DIV	Ordinary dividends (box 1b) Capital gain distributions (box 1c) Nontaxable distributions (box 1d) Investment expenses (box 1e) Foreign tax paid (box 3)	Form 1040, line 9 See the instructions for Form 1040, line 9, on page 12 Form 1040, line 9, and Schedule A, line 22 Schedule A, line 8 (or Form 1116)
1099-G	Unemployment compensation (box 1)  State or local income tax refund (box 2) Taxable grants (box 6) Agriculture payments (box 7)	Form 1040, line 19. But if you repaid any unemployment compensation in 1997, see the instructions for line 19 on page 14 See the instructions for Form 1040, line 10, on page 12* Form 1040, line 21* See the Schedule F instructions or Pub. 225
1099-INT	Interest income (box 1) Early withdrawal penalty (box 2) Interest on U.S. savings bonds and Treasury obligations (box 3) Foreign tax paid (box 5)	Form 1040, line 8a Form 1040, line 29 See the instructions for Form 1040, line 8a, on page 12 Schedule A, line 8 (or Form 1116)
1099-LTC	Long-term care and Accelerated death benefits	See the instructions for Form 8853
1099-MISC	Rents (box 1) Royalties (box 2) Other income (box 3) Nonemployee compensation (box 7) Other (boxes 5, 6, 8, 9, and 10)	See the instructions for Schedule E Schedule E, line 4 (timber, coal, iron ore royalties, see Pub. 544) Form 1040, line 21* Schedule C, C-EZ, or F (Form 1040, line 7, if you were not self-employed) See the instructions on Form 1099-MISC
1099-MSA	Distributions from medical savings accounts	Form 8853
1099-OID	Original issue discount (box 1) Other periodic interest (box 2) Early withdrawal penalty (box 3)	See the instructions on Form 1099-OID Form 1040, line 29
1099-PATR	Patronage dividends and other distributions from a cooperative (boxes 1, 2, 3, and 5) Credits (boxes 7 and 8)	Schedule C, C-EZ, or F, or Form 4835, but first see the instructions on Form 1099-PATR Form 3468 or Form 5884
1099-R	Distributions from IRAs** Distributions from pensions, annuities, etc. Capital gain (box 3)	See the instructions for Form 1040, lines 15a and 15b, on page 13 See the instructions for Form 1040, lines 16a and 16b, on page 13 See the instructions on Form 1099-R
1099-S	Gross proceeds from real estate transactions (box 2) Buyer's part of real estate tax (box 5)	Form 2119 (or Form 4797 or Schedule D if the property was not your home) See the instructions for Schedule A, line 6, on page A-2*

\* If the item relates to an activity for which you are required to file Schedule C, C-EZ, E, or F, or Form 4835, report the taxable or deductible amount allocable to the activity on that schedule or form instead.

\*\* This includes distributions from SEPs and SIMPLE IRAs.

# Line Instructions For Form 1040

## Name, Address, and Social Security Number (SSN)

### Use the Peel-Off Label

Using the peel-off label in this booklet that has your name and address printed on it will speed the processing of your return. It also prevents common errors that can delay refunds or result in unnecessary notices. Attach the label to your return **after** you have finished it. Cross out any errors and print the correct information. Add any missing items, such as your apartment number.

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

### Address Change

If the address on your peel-off label is not your current address, cross out your old address and print your new address. If you plan to move after filing your return, see page 29.

### Name Change

If you changed your name, be sure to report the change to your local Social Security Administration office **before** filing your return. This prevents delays in processing your return and issuing refunds. It also safeguards your future social security benefits. If you received a peel-off label, cross out your former name and print your new name.

### What If You Do Not Have a Label?

Print or type the information, including your SSN(s), in the spaces provided. If you are married filing a separate return, enter your husband's or wife's name on line 3 instead of below your name.

## Social Security Number (SSN)

An incorrect or missing SSN may increase your tax or reduce your refund. **To apply for an SSN**, get **Form SS-5** from your local Social Security Administration (SSA) office or call the SSA at 1-800-772-1213. Fill in Form SS-5 and return it to the SSA. It usually takes about 2 weeks to get an SSN.

Check that your SSN is correct on your Forms W-2 and 1099. See page 29 for more details.

**IRS Individual Taxpayer Identification Numbers (ITINs) for Aliens.** The IRS will issue you an ITIN if you are a nonresident or resident alien and you do not have and are not eligible to get an SSN. **To apply for an ITIN**, file **Form W-7** with the IRS. It usually takes about 30 days to get an ITIN. **Enter your ITIN wherever your SSN is requested on your tax return.**

**Note:** An ITIN is for tax use only. It does not entitle you to social security benefits or change your employment or immigration status under U.S. law.

**Nonresident Alien Spouse.** If your spouse is a nonresident alien and you file a joint or separate return, your spouse must have either an SSN or an ITIN.

### P.O. Box

Enter your box number instead of your street address **only** if your post office does not deliver mail to your home.

### Foreign Address

Enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Please **do not** abbreviate the country name.

### Death of a Taxpayer

See page 29.

## Presidential Election Campaign Fund

This fund helps pay for Presidential election campaigns. The fund reduces candidates' dependence on large contributions from individuals and groups and places candidates on an equal financial footing in the general election. If you want \$3 to go to this fund, check the "Yes" box. If you are filing a joint return, your spouse may also have \$3 go to the fund. If you check "Yes," your tax or refund will not change.

## Filing Status

Check **only** the filing status that applies to you. The ones that will usually give you the lowest tax are listed last.

- Married filing separately.
- Single.
- **Head of household.** This status is for unmarried people who paid over half the cost of keeping up a home for a qualifying person, such as a child or parent. Certain married people who lived apart from their

spouse for the last 6 months of 1997 may also be able to use this status.

- Married filing jointly or Qualifying widow(er) with dependent child. The **Qualifying widow(er)** status is for certain people whose spouse died in 1995 or 1996 and who had a child living with them whom they can claim as a dependent.



*More than one filing status may apply to you. Choose the one that will give you the lowest tax.*

*If you are not sure about your filing status, use TeleTax topic 353 (see page 34) or see Pub. 501.*

## Exemptions

You usually can deduct \$2,650 on line 37 for each exemption you can take.

### Line 6b

#### Spouse

Check the box on line 6b if you file either (1) a joint return, or (2) a separate return and your spouse had no income and is not filing a return. However, **do not** check the box if your spouse can be claimed as a dependent on another person's return.

### Line 6c

#### Dependents

You can take an exemption for each of your dependents. The following is a brief description of the five tests that must be met for a person to qualify as your dependent. If you have **more than six** dependents, attach a statement to your return with the required information.

**Relationship Test.** The person must be either your relative or have lived in your home as a family member all year. If the person is not your relative, the relationship must not violate local law.

**Joint Return Test.** If the person is married, he or she cannot file a joint return. But the person can file a joint return if the return is filed only as a claim for refund **and** no tax liability would exist for either spouse if they had filed separate returns.

**Citizen or Resident Test.** The person must be a U.S. citizen or resident alien, or a resident of Canada or Mexico. There is an exception for certain adopted children.

**Income Test.** The person's gross income must be less than \$2,650. But your child's gross income can be \$2,650 or more if he or she was either **under age 19** at the end



**Need More Information or Forms?** You can use a personal computer, fax, or phone to get what you need. See page 4.

of 1997 or **under age 24** at the end of 1997 and was a **student**.

**Support Test.** You must have provided over half of the person's total support in 1997. But there are two exceptions to this test: one for children of divorced or separated parents and one for persons supported by two or more taxpayers.



For more details about the tests, including any exceptions that apply, see **Pub. 501**.

### Line 6c, Column (2)

You must enter each dependent's social security number (SSN). If you do not enter the correct SSN, at the time we process your return, we may disallow the exemption claimed for the dependent.



For details on how your dependent can get an SSN, see page 10. If your dependent will not have an SSN by April 15, 1998, see **What if You Cannot File on Time?** on page 7.

If your dependent child was born and died in 1997 and you do not have an SSN for the child, you may attach a copy of the child's birth certificate instead and enter "DIED" in column (2).

### Line 6c, Column (4)

Enter the number of months your dependent lived with you in 1997. Count temporary absences, such as for school, vacation, or medical care, as time lived in your home. If your dependent was born or died in 1997, enter "12" in this column. If your dependent lived in Canada or Mexico during 1997, do not enter a number. Instead, enter "CN" or "MX," whichever applies.

### Children Who Did Not Live With You Due to Divorce or Separation

If you are claiming a child who did not live with you under the rules in Pub. 501 for children of divorced or separated parents, attach **Form 8332** or similar statement to your return. But see **Exception** on this page. If your divorce decree or separation agreement went into effect after 1984 and it states you can claim the child as your dependent without regard to any condition, such as payment of support, you may attach a copy of the following pages from the decree or agreement instead.

1. Cover page (put the other parent's SSN on that page),
2. The page that states you can claim the child as your dependent, and
3. Signature page with the other parent's signature and date of agreement.

**Note:** You must attach the required information even if you filed it in an earlier year.

**Exception.** You do not have to attach Form 8332 or similar statement if your di-

voorce decree or written separation agreement went into effect before 1985 and it states that you can claim the child as your dependent.

### Other Dependent Children

Include the total number of children who did not live with you for reasons other than divorce or separation on the line labeled "Dependents on 6c not entered above." Include dependent children who lived in Canada or Mexico during 1997.

## Income

### Foreign-Source Income

You must report unearned income, such as interest, dividends, and pensions, from sources outside the United States unless exempt by law or a tax treaty. You must also report earned income, such as wages and tips, from sources outside the United States.

If you worked abroad, you may be able to exclude part or all of your earned income. For details, see **Pub. 54** and **Form 2555** or **2555-EZ**.

### Community Property States

Community property states are Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. If you and your spouse lived in a community property state, you must usually follow state law to determine what is community income and what is separate income. For details, see **Pub. 555**.

### Rounding Off to Whole Dollars

To round off cents to the nearest whole dollar on your forms and schedules, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. If you do round off, do so for all amounts. But if you have to add two or more amounts to figure the amount to enter on a line, include cents when adding and only round off the total.

## Line 7

### Wages, Salaries, Tips, etc.

Enter the total of your wages, salaries, tips, etc. If a joint return, also include your spouse's income. For most people, the amount to enter on this line should be shown in box 1 of their **Forms W-2**. But the following types of income must also be included in the total on line 7.

- Wages received as a **household employee** for which you did not receive a W-2 form because your employer paid you less than \$1,000 in 1997.
- **Tip income** you did not report to your employer. Also include **allocated tips** shown on your W-2 form(s) unless you can prove that you received less. Allocated

tips should be shown in box 8 of your W-2 form(s). They are not included as income in box 1. See **Pub. 531** for more details.

**Caution:** You may owe social security and Medicare tax on unreported or allocated tips. See the instructions for line 49 on page 20.

- **Dependent care benefits**, which should be shown in box 10 of your W-2 form(s). But first complete **Form 2441** to see if you may exclude part or all of the benefits.

- **Employer-provided adoption benefits**, which should be shown in box 13 of your W-2 form(s) with code **T**. But first complete **Form 8839** to see if you may exclude part or all of the benefits.

- **Scholarship and fellowship grants** not reported on a W-2 form. Also, enter "SCH" and the amount on the dotted line next to line 7. **Exception.** If you were a degree candidate, include on line 7 **only** the amounts you used for expenses other than tuition and course-related expenses. For example, amounts used for room, board, and travel must be reported on line 7.

- **Excess salary deferrals.** The amount deferred should be shown in box 13 of your W-2 form and the "Deferred compensation" box in box 15 should be checked. If the total amount you (or your spouse if filing jointly) deferred for 1997 under **all** plans was more than \$9,500, include the excess on line 7. But a different limit may apply if amounts were deferred under a tax-sheltered annuity plan or an eligible plan of a state or local government or tax-exempt organization. See **Pub. 575** for details.

**Caution:** You may **not** deduct the amount deferred. It is not included as income in box 1 of your W-2 form.

- **Disability pensions** shown on **Form 1099-R** if you have not reached the minimum retirement age set by your employer. Disability pensions received after you reach that age and other pensions shown on **Form 1099-R** (other than payments from an IRA\*) are reported on lines 16a and 16b.

- **Corrective distributions** shown on **Form 1099-R** of (1) excess salary deferrals and (2) excess contributions to a retirement plan. But do not include distributions from an IRA\* on line 7. Instead, report them on lines 15a and 15b.

\*This includes a SEP or SIMPLE IRA.

### Were You a Statutory Employee?

If you were, the "statutory employee" box in box 15 of your W-2 form should be checked. Statutory employees include full-time life insurance salespeople, certain agent or commission drivers and traveling salespeople, and certain home-workers. If you have related business

expenses to deduct, report the amount shown in box 1 of your W-2 form on **Schedule C** or **C-EZ** along with your expenses.

### Missing or Incorrect Form W-2?

If you do not get a W-2 form from your employer by February 2, 1998, use Tele-Tax topic 154 (see page 34) to find out what to do. Even if you do not get a W-2, you must still report your earnings on line 7. If you lose your Form W-2 or it is incorrect, ask your employer for a new one.

## Line 8a

### Taxable Interest

Each payer should send you a **Form 1099-INT** or **Form 1099-OID**. Report all of your taxable interest income on line 8a. But you must fill in and attach **Schedule B** if the total is over \$400 or any of the other conditions listed at the beginning of the Schedule B instructions (see page B-1) apply to you.

Interest credited in 1997 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 1997 income. For details, see **Pub. 550**.

**TIP** If you get a 1997 Form 1099-INT for U.S. savings bond interest that includes amounts you reported before 1997, see **Pub. 550**.

## Line 8b

### Tax-Exempt Interest

If you received any tax-exempt interest income, such as from municipal bonds, report it on line 8b. Include any exempt-interest dividends from a mutual fund or other regulated investment company. **Do not** include interest earned on your IRA.

## Line 9

### Dividends

Each payer should send you a **Form 1099-DIV**. You must fill in and attach **Schedule B** if your total gross dividends are over \$400 or you received, as a nominee, dividends that actually belong to someone else. If you do not have to fill in Schedule B, include on line 9 only ordinary dividends and any investment expenses.

### Capital Gain Distributions

If you received capital gain distributions, report them on **Schedule D**. If you are filing Schedule B, also report the distributions on that schedule.

### 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. For details, see **Pub. 550**.

**TIP** Dividends on insurance policies are a partial return of the premiums you paid. **Do not** report them as dividends. Include them in income only if they exceed the total of all net premiums you paid for the contract.

## Line 10

### Taxable Refunds, Credits, or Offsets of State and Local Income Taxes

**TIP** None of your refund is taxable if, in the year you paid the tax, you **did not** itemize deductions.

If you received a refund, credit, or offset of state or local income taxes in 1997, you may receive a **Form 1099-G**. If you chose to apply part or all of the refund to your 1997 estimated state or local income tax, the amount applied is treated as received in 1997. If the refund was for a tax you paid in 1996 and you itemized deductions for 1996, use the worksheet on this page to see if any of your refund is taxable.

### Exceptions

See **Recoveries** in **Pub. 525** instead of using the worksheet if **any** of the following apply:

- You received a refund in 1997 that is for a tax year other than 1996.

- You received a refund other than an income tax refund, such as a real property tax refund, in 1997 of an amount deducted or credit claimed in an earlier year.

- Your 1996 taxable income was less than zero.

- You made your last payment of 1996 estimated state or local income tax in 1997.

- You owed alternative minimum tax in 1996.

- You could not deduct the full amount of credits you were entitled to in 1996 because the total credits exceeded the tax shown on your 1996 Form 1040, line 38.

- You could be claimed as a dependent by someone else in 1996.

Also, see **Tax Benefit Rule** in **Pub. 525** instead of using the worksheet if **all three** of the following apply.

- You had to use the Itemized Deductions Worksheet in the 1996 Schedule A instructions because your 1996 adjusted gross income was over \$117,950 (over \$58,975 if married filing separately).

- You could not deduct all of the amount on line 1 of the 1996 Itemized Deductions Worksheet.

- The amount on line 8 of that 1996 worksheet would be more than the amount on line 4 of that worksheet if the amount on line 4 were reduced by 80% of the refund you received in 1997.

## State and Local Income Tax Refund Worksheet—Line 10

(keep for your records)



1. Enter the income tax refund from <b>Form(s) 1099-G</b> (or similar statement). But <b>do not</b> enter more than the amount on your 1996 Schedule A (Form 1040), line 5 . . . . .	1. _____
2. Enter your total allowable itemized deductions from your 1996 Schedule A (Form 1040), line 28 . . . . .	2. _____
<b>Note:</b> If the filing status on your 1996 Form 1040 was married filing separately and your spouse itemized deductions in 1996, skip lines 3, 4, and 5 and enter the amount from line 2 on line 6.	
3. Enter on line 3 the amount shown below for the filing status claimed on your <b>1996</b> Form 1040:	3. _____
<ul style="list-style-type: none"> <li>• Single, enter \$4,000</li> <li>• Married filing jointly or Qualifying widow(er), enter \$6,700</li> <li>• Married filing separately, enter \$3,350</li> <li>• Head of household, enter \$5,900</li> </ul>	
4. Did you fill in line 33a on your 1996 Form 1040?	4. _____
<b>No.</b> Enter -0-.	
<b>Yes.</b> Multiply \$800 (\$1,000 if your 1996 filing status was single or head of household) by the number on line 33a of your 1996 Form 1040 . . . . .	
5. Add lines 3 and 4 . . . . .	5. _____
6. Subtract line 5 from line 2. If zero or less, enter -0- . . . . .	6. _____
7. <b>Taxable part of your refund.</b> Enter the <b>smaller</b> of line 1 or line 6 here and on Form 1040, line 10 . . . . .	7. _____



**Need More Information or Forms?** You can use a personal computer, fax, or phone to get what you need. See page 4.

## Line 11

### Alimony Received

Enter amounts received as alimony or separate maintenance. You must let the person who made the payments know your social security number. If you do not, you may have to pay a \$50 penalty. For more details, use TeleTax topic 406 (see page 34) or see **Pub. 504**.

## Line 12

### Business Income or (Loss)

If you operated a business or practiced your profession as a sole proprietor, report your income and expenses on **Schedule C** or **C-EZ**.

## Line 14

### Other Gains or (Losses)

If you sold or exchanged assets used in a trade or business, see the instructions for **Form 4797**.

## Lines 15a and 15b

### IRA Distributions

You should receive a **Form 1099-R** showing the amount of the distribution from your individual retirement arrangement (IRA). Unless otherwise noted in the line 15a and 15b instructions, an IRA includes a simplified employee pension (SEP) and a savings incentive match plan for employees (SIMPLE) IRA. Leave line 15a blank and enter the total distribution on line 15b.

**Exception. Do not** enter your total IRA distribution on line 15b if **either 1** or **2** below applies.

**1.** You made nondeductible contributions to any of your IRAs for 1997 or an earlier year. Instead, use **Form 8606** to figure the amount to enter on line 15b; enter the total distribution on line 15a. If you made nondeductible contributions for 1997, also see **Pub. 590**.

**2.** You rolled your IRA or SEP distribution over into another IRA or SEP, **or** you rolled your SIMPLE IRA distribution over into another SIMPLE IRA. Enter the total distribution on line 15a and write "Roll-over" next to line 15b. If the total on line 15a was rolled over, enter zero on line 15b. If the total was not rolled over, enter the part not rolled over on line 15b. But if **1** above also applies, use **Form 8606** to figure the taxable part.

If you rolled over the distribution **(1)** in 1998 or **(2)** from a conduit IRA into a qualified plan, attach a statement explaining what you did.

**Caution:** You may have to pay an additional tax if **(1)** you received an early distribution from your IRA and the total distribution was not rolled over, or **(2)** you were born before July 1, 1926, and received less than the minimum required distribution. See the instructions for line 50 on page 20 for details.

## Lines 16a and 16b

### Pensions and Annuities

You should receive a **Form 1099-R** showing the amount of your pension and annuity payments. See the next page for details on rollovers and lump-sum distributions. **Do not** include the following payments on lines 16a and 16b. Instead, report them on line 7.

- Disability pensions received before you reach the minimum retirement age set by your employer.
- Corrective distributions of excess salary deferrals or excess contributions to retirement plans.



Attach **Form 1099-R** to **Form 1040** if any Federal income tax was withheld.

### Fully Taxable Pensions and Annuities

If your pension or annuity is fully taxable, enter it on line 16b; **do not** make an entry on line 16a. Your payments are fully taxable if **either** of the following applies:

- 1.** You did not contribute to the cost (see this page) of your pension or annuity, or
- 2.** You got your entire cost back tax free before 1997.

Fully taxable pensions and annuities also include military retirement pay shown on **Form 1099-R**. For details on military disability pensions, see **Pub. 525**. If you received a **Form RRB-1099-R**, see **Pub. 575** to find out how to report your benefits.

### Partially Taxable Pensions and Annuities

If your pension or annuity is partially taxable and your **Form 1099-R** does not show the taxable part, you must use the General Rule to figure the taxable part. The General Rule is explained in **Pub. 939**. However, if your annuity starting date (defined on this page) was **after** July 1, 1986, you may be able to use the Simplified Method explained on this page. But if your annuity starting date was **after** November 18, 1996, and items **1**, **2**, and **3** under **Simplified Method** apply, you **must** use the Simplified Method to figure the taxable part.

You can ask the IRS to figure the taxable part for you for a \$75 fee. For details, see **Pub. 939**.

If your **Form 1099-R** shows a taxable amount, you may report that amount on line 16b. But you may be able to report a lower taxable amount by using the General Rule or the Simplified Method.

Once you have figured the taxable part of your pension or annuity, enter that amount on line 16b and the total on line 16a.

### Annuity Starting Date

Your annuity starting date is the later of the first day of the first period for which you received a payment, or the date the plan's obligations became fixed.

### Simplified Method

If your annuity starting date (defined above) was **after** July 1, 1986, and **all three** of the following apply, you can use this simpler method. But if your annuity starting date was **after** November 18, 1996, and all three of the following apply, you **must** use the Simplified Method.

- 1.** The payments are for **(a)** your life or **(b)** your life and that of your beneficiary.
- 2.** The payments are from a qualified employee plan, a qualified employee annuity, or a tax-sheltered annuity.

**3.** At the time the pension or annuity payments began, either you were under age 75 or the number of years of guaranteed payments was fewer than 5. See **Pub. 575** for the definition of guaranteed payments.

If all three apply, use the worksheet on page 14 to figure the taxable part of your pension or annuity. For more details on the Simplified Method, see **Pub. 575** or **Pub. 721** for U.S. Civil Service retirement.

**Caution:** If you received U.S. Civil Service retirement benefits and you chose the lump-sum credit option, use the worksheet in **Pub. 721**. **Do not** use the worksheet on page 14.

### Age at Annuity Starting Date

If you are the retiree, use your age on the annuity starting date. If you are the survivor of a retiree, use the retiree's age on his or her annuity starting date. If you are the beneficiary of an employee who died, see **Pub. 575**. If there is more than one beneficiary, see **Pub. 575** or **Pub. 721** to figure each beneficiary's taxable amount.

### Changing Methods

If your annuity starting date was **after** July 1, 1986, and **before** November 19, 1996, you may be able to change from the General Rule to the Simplified Method (or the other way around). For details, see **Pub. 575** or **Pub. 721**.

### Cost

Your cost is generally your net investment in the plan as of the annuity starting date. It should be shown in box 9b of **Form**

1099-R for the first year you received payments from the plan.

**Death Benefit Exclusion.** If you are the beneficiary of a deceased employee or former employee who died **before** August 21, 1996, 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. If you are entitled to this exclusion, add it to the amount you enter on line 2 of the worksheet on this page. Do this even if the Form 1099-R shows a taxable amount. The payer of the annuity cannot add the death benefit exclusion to your cost when figuring the taxable amount. Special rules apply if you are the survivor under a joint and survivor's annuity. For details, see Pub. 575.

**Rollovers**

A rollover is a tax-free distribution of cash or other assets from one retirement plan

that is contributed to another plan. Use lines 16a and 16b to report a rollover, including a direct rollover, from one qualified employer's plan to another or to an IRA or SEP.

Enter on line 16a the total distribution before income tax or other deductions were withheld. This amount should be shown in box 1 of **Form 1099-R**. From the total on line 16a, subtract any contributions (usually shown in box 5) that were taxable to you when made. From that result, subtract the amount that was rolled over either directly or within 60 days of receiving the distribution. Enter the remaining amount, even if zero, on line 16b. Write "Rollover" next to line 16b.

Special rules apply to partial rollovers of property. For more details on rollovers, including distributions under qualified domestic relations orders, see Pub. 575.

**Lump-Sum Distributions**

If you received a lump-sum distribution from a profit-sharing or retirement plan, your Form 1099-R should have the "Total distribution" box in box 2b checked. You may owe an additional tax if you received an early distribution from a qualified retirement plan and the total amount was not rolled over. For details, see the instructions for line 50 on page 20.

Enter the total distribution on line 16a and the taxable part on line 16b.



*You may be able to pay less tax on the distribution if you were at least age 59½ on the date of the distribution, you meet certain other conditions, and you choose to use **Form 4972** to figure the tax on any part of the distribution. You may also be able to use **Form 4972** if you are the beneficiary of a deceased employee who was either age 59½ or older on the date of death or was born before 1936. For details, see **Form 4972**.*

**Simplified Method Worksheet—Lines 16a and 16b**  
(keep for your records)



**Note:** If you had more than one partially taxable pension or annuity, figure the taxable part of each separately. Enter the total of the taxable parts on Form 1040, line 16b. Enter the total pension or annuity payments received in 1997 on Form 1040, line 16a.

1. Enter the total pension or annuity payments received this year. Also, enter this amount on Form 1040, line 16a . . . . . 1. \_\_\_\_\_
2. Enter your cost in the plan at the annuity starting date plus any death benefit exclusion (see this page) . . . . . 2. \_\_\_\_\_
3. Enter the appropriate number from the table below . . . . . 3. \_\_\_\_\_
4. Divide line 2 by the number on line 3 . . . . . 4. \_\_\_\_\_
5. Multiply line 4 by the number of months for which this year's payments were made. If your annuity starting date was **before** 1987, skip lines 6 and 7 and enter this amount on line 8. Otherwise, go to line 6 . . . . . 5. \_\_\_\_\_
6. Enter the amount, if any, recovered tax free in years after 1986 . . . . . 6. \_\_\_\_\_
7. Subtract line 6 from line 2 . . . . . 7. \_\_\_\_\_
8. Enter the **smaller** of line 5 or line 7 . . . . . 8. \_\_\_\_\_
9. **Taxable amount.** Subtract line 8 from line 1. Enter the result, but not less than zero. Also, enter this amount on Form 1040, line 16b. If your Form 1099-R shows a larger amount, use the amount on this line instead of the amount from Form 1099-R . . . . . 9. \_\_\_\_\_

**TABLE FOR LINE 3 ABOVE**

IF the age at annuity starting date (see page 13) was...	AND your annuity starting date was—	
	before November 19, 1996, enter on line 3...	after November 18, 1996, enter on line 3...
55 or under	300	360
56–60	260	310
61–65	240	260
66–70	170	210
71 or older	120	160

**Line 19**

**Unemployment Compensation**

You should receive a **Form 1099-G** showing the total unemployment compensation paid to you in 1997.

If you received an overpayment of unemployment compensation in 1997 and you repaid any of it in 1997, subtract the amount you repaid from the total amount you received. Enter the result on line 19. Also, enter "Repaid" and the amount you repaid on the dotted line next to line 19. If, in 1997, you repaid unemployment compensation that you included in gross income in an earlier year, you may deduct the amount repaid on Schedule A, line 22. But if you repaid more than \$3,000, see **Repayments** in **Pub. 525** for details on how to report the repayment.

**Lines 20a and 20b**

**Social Security Benefits**

You should receive a **Form SSA-1099** showing in box 3 the total social security benefits paid to you. Box 4 will show the amount of any benefits you repaid in 1997. If you received railroad retirement benefits treated as social security, you should receive a **Form RRB-1099**.

To find out if any of your benefits are taxable, first complete Form 1040, lines 21 and 23 through 31 if they apply to you. Then, complete the worksheet on the next page. However, **do not** use the worksheet if any of the following apply.

- You made IRA contributions for 1997 and you were covered by a retirement plan at work or through self-employment. Instead, use the worksheets in **Pub. 590** to see if any of your social security benefits are taxable and to figure your IRA deduction.



**Need More Information or Forms?** You can use a personal computer, fax, or phone to get what you need. See page 4.

- You repaid any benefits in 1997 and your total repayments (box 4) were more than your total benefits for 1997 (box 3). **None** of your benefits are taxable for 1997. In addition, 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. For more details, see **Pub. 915**.

- You file **Form 2555, 2555-EZ, 4563, or 8815**, or you exclude employer-provided adoption benefits or income from sources within Puerto Rico. Instead, use the worksheet in **Pub. 915**.

## Line 21

### Other Income

Use this line to report any other income not reported on your return or other schedules. See examples below. List the type and amount of income. If necessary, show the required information on an attached statement. For more details, see **Miscellaneous Taxable Income** in **Pub. 525**.



*Do not report any nontaxable income on line 21, such as child support; money or property that was inherited, willed to you, or received as a gift; or life insurance proceeds received because of a person's death.*

**Do not** report on this line any income from **self-employment** or fees received as a notary public. Instead, you **must** use Schedule C, C-EZ, or F, even if you do not have any business expenses.

Examples of **income to report** on line 21 are:

- Prizes and awards.
- Gambling winnings, including lotteries, raffles, etc. For details on gambling losses, see the instructions for Schedule A, line 27, on page A-5.
- Jury duty fees. Also, see the instructions for line 31 on page 17.
- Alaska Permanent Fund dividends.
- Reimbursements or other amounts received for items deducted in an earlier year, such as medical expenses, real estate taxes, or home mortgage interest. See **Recoveries** in **Pub. 525** for details on how to figure the amount to report.
- Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property. Also, see the instructions for line 31 on page 17.
- Income from an activity not engaged in for profit. See **Pub. 535**.
- Loss on certain corrective distributions of excess deferrals. See **Pub. 575**.

### Social Security Benefits Worksheet—Lines 20a and 20b (keep for your records)



If you are married filing separately and you **lived apart** from your spouse for all of 1997, enter "D" to the left of line 20a.

1. Enter the total amount from **box 5** of **all your Forms SSA-1099 and RRB-1099** . . . . . **1.** \_\_\_\_\_

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

2. Enter one-half of line 1 . . . . . **2.** \_\_\_\_\_

3. Add the amounts on Form 1040, lines 7, 8a, 9 through 14, 15b, 16b, 17 through 19, and 21. Do not include amounts from box 5 of Forms SSA-1099 or RRB-1099 . . . . . **3.** \_\_\_\_\_

4. Enter the amount, if any, from Form 1040, line 8b . . . . . **4.** \_\_\_\_\_

5. Add lines 2, 3, and 4 . . . . . **5.** \_\_\_\_\_

6. Enter the amount from Form 1040, line 31 . . . . . **6.** \_\_\_\_\_

7. Subtract line 6 from line 5 . . . . . **7.** \_\_\_\_\_

8. Enter \$25,000 (\$32,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1997) . . . . . **8.** \_\_\_\_\_

9. Subtract line 8 from line 7. If zero or less, enter -0- . . . . . **9.** \_\_\_\_\_

#### Is line 9 more than zero?

**No. Stop;** none of your social security benefits are taxable. Do not enter any amounts on lines 20a or 20b of Form 1040. **But** if you are married filing separately and you **lived apart** from your spouse for all of 1997, enter -0- on line 20b. Be sure to enter "D" to the left of line 20a.

**Yes.** Go to line 10.

10. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1997) . . . . . **10.** \_\_\_\_\_

11. Subtract line 10 from line 9. If zero or less, enter -0- . . . . . **11.** \_\_\_\_\_

12. Enter the **smaller** of line 9 or line 10 . . . . . **12.** \_\_\_\_\_

13. Enter one-half of line 12 . . . . . **13.** \_\_\_\_\_

14. Enter the **smaller** of line 2 or line 13 . . . . . **14.** \_\_\_\_\_

15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- . . . . . **15.** \_\_\_\_\_

16. Add lines 14 and 15 . . . . . **16.** \_\_\_\_\_

17. Multiply line 1 by 85% (.85) . . . . . **17.** \_\_\_\_\_

18. **Taxable social security benefits.** Enter the **smaller** of line 16 or line 17 . . . . . **18.** \_\_\_\_\_

- Enter the amount from line 1 on Form 1040, line 20a.

- Enter the amount from line 18 on Form 1040, line 20b.



*If part of your benefits are taxable for 1997 and they include benefits paid in 1997 that were for an earlier year, you may be able to reduce the taxable amount shown on the worksheet. See **Pub. 915** for details.*

# Adjusted Gross Income

## Line 23

### IRA Deduction

**TIP** You can make contributions to your IRA even if you cannot deduct them. But you must use Form 8606 to report these non-deductible contributions.

If you made contributions to an individual retirement arrangement (IRA) for 1997, you may be able to take an IRA deduction. But you must have had earned income to do so. For IRA purposes, earned income includes certain alimony received. See Pub. 590 for details. You should receive a statement by June 1, 1998, that shows all contributions to your IRA for 1997.

Use the worksheet on this page to figure the amount, if any, of your IRA deduction. **But read the following list before you fill in the worksheet.**

- If you were age 70½ or older at the end of 1997, you cannot deduct any contributions made to your IRA for 1997 or treat them as nondeductible contributions.

- You cannot deduct contributions to a 401(k) plan, SIMPLE plan, or the Federal Thrift Savings Plan. These amounts are not included as income in box 1 of your W-2 form.

- You will first need to complete Form 1040 lines 24 through 30a and figure any amount to be entered on the dotted line next to line 31.

- If you made contributions to your IRA in 1997 that you deducted for 1996, **do not** include them in the worksheet.

- If you received a distribution from a nonqualified deferred compensation plan or section 457 plan that is included in box 1 of your W-2 form, do not include that distribution on line 8 of the worksheet. The distribution should be shown in box 11 of your W-2 form.

- You must file a joint return to deduct contributions to your spouse's IRA. Enter the total IRA deduction for you and your spouse on line 23.

- Do not include rollover contributions in figuring your deduction. Instead, see the instructions for lines 15a and 15b on page 13.

- 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.

- If the total of your IRA deduction on Form 1040 plus any nondeductible contribution on your Form 8606 is less than your total IRA contributions for 1997, see Pub. 590 for special rules.



By April 1 of the year after the year in which you turn age 70½, you must start taking minimum required distributions from your IRA. If you do not, you may have to pay a 50% additional tax on the amount that should have been distributed. For details, including how to figure the minimum required distribution, see Pub. 590.

### Were You Covered by a Retirement Plan?

If you were covered by a retirement plan (qualified pension, profit-sharing (including 401(k)), annuity, Keogh, SEP, SIMPLE, etc.) at work or through self-employment, your IRA deduction may be reduced or eliminated. But you can still make contributions to an IRA even if you cannot deduct them. In any case, the income earned on your IRA contributions is not taxed until it is paid to you.

The "Pension plan" box in box 15 of your W-2 form should be checked if you were covered by a plan at work even if you were not vested in the plan. You are also covered by a plan if you were self-employed and had a Keogh, SEP, or SIMPLE retirement plan.

If you were covered by a retirement plan and you file Form 2555, 2555-EZ, or 8815, or you exclude employer-provided adoption benefits, see Pub. 590 to figure the amount, if any, of your IRA deduction.

**Married Persons Filing Separately.** If you were not covered by a retirement plan but your spouse was, **you** are considered covered by a plan unless you **lived apart** from your spouse for all of 1997.

### IRA Deduction Worksheet—Line 23 (keep for your records)




**Note:** Read the list on this page before completing.

- Were you, or your spouse if filing jointly, covered by a retirement plan (see this page)?  
**Yes.** Go to line 2.  
**No.** Skip lines 2–6, enter \$2,000 on line 7, and go to line 8.
- Enter \$35,000 (\$50,000 if married filing jointly or qualifying widow(er); \$10,000 if married filing separately and you lived with your spouse at any time in 1997) . . . . . 2. \_\_\_\_\_
- Enter the amount from Form 1040, line 22 . . . . . 3. \_\_\_\_\_
- Add amounts on Form 1040, lines 24 through 30a, and any amount you entered on the dotted line next to line 31 . . . . . 4. \_\_\_\_\_
- Subtract line 4 from line 3. If the result is equal to or more than the amount on line 2, none of your IRA contributions are deductible. **Stop** here. For details on nondeductible IRA contributions, see Form 8606 . . . . . 5. \_\_\_\_\_
- Subtract line 5 from line 2. **If the result is \$10,000 or more, enter \$2,000 on line 7 and go to line 8** . . . . . 6. \_\_\_\_\_
- Multiply line 6 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). If the result is \$200 or more, enter the result. But if it is less than \$200, enter \$200 . . . . . 7. \_\_\_\_\_
- Enter your, and your spouse's if filing jointly, wages and other earned income from Form 1040, minus any deductions on Form 1040, lines 26 and 28. Do not reduce wages by any loss from self-employment. . . . . 8. \_\_\_\_\_

**Caution:** If married filing jointly and line 8 is less than \$4,000, **stop here and see Pub. 590 to figure your IRA deduction.**

Deductible IRA contributions	Your IRA	Spouse's IRA
9. Enter IRA contributions made, or that will be made by April 15, 1998, for 1997 to your IRA on line 9a and to your spouse's IRA on line 9b . . . . .	9a. _____	9b. _____
10. On line 10a, enter the <b>smallest</b> of line 7, line 8, or line 9a. On line 10b, enter the <b>smallest</b> of line 7, line 8, or line 9b. This is the most you can deduct. Add the amounts on lines 10a and 10b and enter the total on Form 1040, line 23. Or if you want, you may deduct a smaller amount and treat the rest as a nondeductible contribution (see Form 8606) . . . . .	10a. _____	10b. _____



 **Need More Information or Forms?** You can use a personal computer, fax, or phone to get what you need. See page 4.

**Line 24**

**Medical Savings Account Deduction**

If you made contributions to a medical savings account for 1997, you may be able to take this deduction. See **Form 8853**.

**Line 25**

**Moving Expenses**

If you moved in connection with your job or business or started a new job, you may be able to take this deduction. But your new workplace must be at least 50 miles farther from your old home than your old home was from your old workplace. If you had no former workplace, your new workplace must be at least 50 miles from your old home. Use TeleTax topic 455 (see page 34) or see **Form 3903**. If you began work outside the United States, see **Form 3903-F**.

**Line 26**

**One-Half of Self-Employment Tax**

If you were self-employed and owe self-employment tax, fill in **Schedule SE** to figure the amount of your deduction.

**Line 27**

**Self-Employed Health Insurance Deduction**



*Beginning in 1997, you may be able to use part of the amount paid for qualified long-term care insurance to figure the deduction. See **Pub. 535** for details, including limits on the amount you may use.*

**Self-Employed Health Insurance Deduction Worksheet—Line 27**  
(keep for your records)



- |  |          |
|--|----------|
| 1. Enter the total amount paid in 1997 for health insurance coverage established under your business for 1997 for you, your spouse, and dependents. But do not include amounts for any month you were eligible to participate in an employer-sponsored health plan | 1. _____ |
| 2. Multiply line 1 by 40% (.40)  | 2. _____ |
| 3. Enter your net profit and any other earned income* from the business under which the insurance plan is established, minus any deductions you claim on Form 1040, lines 26 and 28  | 3. _____ |
| 4. <b>Self-employed health insurance deduction.</b> Enter the smaller of line 2 or line 3 here and on Form 1040, line 27. DO NOT include this amount in figuring any medical expense deduction on Schedule A (Form 1040)   | 4. _____ |

\* **Earned income** includes net earnings and gains from the sale, transfer, or licensing of property you created. It does not include capital gain income. If you were a more-than-2% shareholder in the S corporation under which the insurance plan is established, earned income is your wages from that corporation.

If you were self-employed and had a net profit for the year, or if you received wages in 1997 from an S corporation in which you were a more-than-2% shareholder, you may be able to deduct part of the amount paid for health insurance for yourself, your spouse, and dependents. The insurance plan must be established under your business. But if you were also eligible to participate in any subsidized health plan maintained by your or your spouse's employer for any month or part of a month in 1997, amounts paid for health insurance coverage for that month cannot be used to figure the deduction. For example, if you were eligible to participate in a subsidized health plan maintained by your spouse's employer from September 30 through December 31, you cannot use amounts paid for health insurance coverage for September through December to figure your deduction. For more details, see **Pub. 535**.

If you qualify to take the deduction, use the worksheet on this page to figure the amount you can deduct. But if any of the following apply, **do not** use the worksheet. Instead, see **Pub. 535** to find out how to figure your deduction.

- You had more than one source of income subject to self-employment tax.
- You file **Form 2555** or **2555-EZ**.
- You can use amounts paid for qualified long-term care insurance to figure the deduction.

**Line 28**

**Keogh and Self-Employed SEP and SIMPLE Plans**

If you were self-employed or a partner, you may be able to take this deduction. See **Pub. 560**.

**Line 29**

**Penalty on Early Withdrawal of Savings**

The **Form 1099-INT** or **Form 1099-OID** you received will show the amount of any penalty you were charged.

**Lines 30a and 30b**

**Alimony Paid**

If you made payments to or for your spouse or former spouse under a divorce or separation instrument, you may be able to take this deduction. Use TeleTax topic 452 (see page 34) or see **Pub. 504**.

**Line 31**

Include in the total on line 31 any of the following adjustments. To find out if you can take the deduction, see the form or publication indicated. On the dotted line next to line 31, enter the amount of your deduction and identify it as indicated.

- Performing-arts-related expenses (see **Form 2106** or **2106-EZ**.) Identify as "QPA."
- Jury duty pay given to your employer (see **Pub. 525**). Identify as "Jury Pay."
- Reforestation amortization (see **Pub. 535**). Identify as "RFST."
- Repayment of supplemental unemployment benefits under the Trade Act of 1974 (see **Pub. 525**). Identify as "Sub-Pay TRA."
- Contributions to section 501(c)(18) pension plans (see **Pub. 575**). Identify as "501(c)(18)."
- Deduction for clean-fuel vehicles (see **Pub. 535**). Identify as "Clean-Fuel."
- Employee business expenses of fee-basis state or local government officials (see **Form 2106** or **2106-EZ**). Identify as "FBO."
- Deductible expenses related to income reported on line 21 from the rental of personal property engaged in for profit. Identify as "PPR."

**Line 32**

If line 32 is less than zero, you may have a net operating loss that you can carry to another tax year. See **Pub. 536**.

**Tax Computation**

**Line 34a**

If you were age 65 or older or blind, check the appropriate boxes on line 34a. If you were married and checked the box on line 6b of Form 1040 and your spouse was age

65 or older or blind, also check the appropriate boxes for your spouse. Be sure to enter the total number of boxes checked.

### Age

If you were age 65 or older on January 1, 1998, check the "65 or older" box on your 1997 return.

### Blindness

If you were completely blind as of December 31, 1997, attach a statement to your return describing this condition. If you were partially blind, you must attach a statement certified by your eye doctor or registered optometrist that:

- You cannot see better than 20/200 in your better eye with glasses or contact lenses, or
- Your field of vision is 20 degrees or less.

If your eye condition is not likely to improve beyond the conditions listed above, attach a statement certified by your eye doctor or registered optometrist to this effect. Keep a copy of this statement for your records. If you attached this statement in a prior year, you do not have to file another one. But you must attach a note saying that you have already filed a statement.

### Line 34b

If your spouse itemizes deductions on a separate return or if you were a dual-status alien, check the box on line 34b. But 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 1997 and you and your spouse agree to be taxed on your combined worldwide income, **do not** check the box.

### Line 35

#### Itemized Deductions or Standard Deduction

Your Federal income tax will be less if you take the **larger** of:

- Your itemized deductions, or
- Your standard deduction.

**Caution:** If you checked the box on **line 34b**, your standard deduction is zero.

#### Itemized Deductions

To figure your itemized deductions, fill in **Schedule A**.

#### Standard Deduction

Most people can find their standard deduction by looking at line 35 of Form 1040. But if you checked **any** box on **line 34a** **OR** you (or your spouse if filing jointly) can be claimed as a dependent, use the chart or worksheet on this page that applies to you to figure your standard deduction. Also, if you checked the box on **line 34b**, your standard deduction is zero, even if you were age 65 or older or blind.

### Standard Deduction Chart for People Age 65 or Older or Blind—Line 35

If someone can claim you (or your spouse if married filing jointly) as a dependent, use the worksheet below instead.

Enter the number from the box on line 34a of Form 1040 . . .

**Caution:** Do not use the number of exemptions from line 6d.

IF your filing status is...	AND the number in the box above is...	THEN your standard deduction is...
Single	1	\$5,150
	2	6,150
Married filing jointly or Qualifying widow(er)	1	\$7,700
	2	8,500
	3	9,300
	4	10,100
Married filing separately	1	\$4,250
	2	5,050
	3	5,850
	4	6,650
Head of household	1	\$7,050
	2	8,050

### Standard Deduction Worksheet for Dependents—Line 35

(keep for your records)



Use this worksheet **only** if someone can claim you (or your spouse if married filing jointly) as a dependent.

1. Enter your <b>earned income</b> (defined below). If none, enter -0-	1. _____
2. Minimum amount . . . . .	2. <b>650.00</b>
3. Enter the <b>larger</b> of line 1 or line 2 . . . . .	3. _____
4. Enter \$4,150 (\$3,450 if married filing separately; \$6,900 if married filing jointly or qualifying widow(er); \$6,050 if head of household) . . . . .	4. _____
<b>5. Standard deduction.</b>	
a. Enter the <b>smaller</b> of line 3 or line 4. If under 65 and not blind, stop here and enter this amount on Form 1040, line 35. Otherwise, go to line 5b . . . . .	5a. _____
b. If 65 or older or blind, multiply \$1,000 (\$800 if married filing jointly or separately, or qualifying widow(er)) by the number on Form 1040, line 34a . . . . .	5b. _____
c. Add lines 5a and 5b. Enter the total here and on Form 1040, line 35 . . . . .	5c. _____

**Earned income** includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. 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, 12, and 18, minus the amount, if any, on line 26.

### Electing To Itemize for State Tax or Other Purposes

If you itemize even though your itemized deductions are less than your standard deduction, enter "IE" next to line 35.

### Line 38

#### Taxable Income

#### If You Want, the IRS Will Figure Your Tax and Some of Your Credits

**Tax.** If you have paid too much, we will send you a refund. If you did not pay enough, we will send you a bill. For details,

including who is eligible and what to do, see **Pub. 967**.

**Credit for the Elderly or the Disabled.** If you can take this credit and you want us to figure it for you, see the instructions for **Schedule R**.

**Earned Income Credit (EIC).** Answer the questions on page 22 to see if you can take this credit. If you can take the EIC and you want us to figure it for you, follow the instructions for question 4 or 9, whichever applies.

**Deduction for Exemptions Worksheet—Line 37**  
(keep for your records)



1. Is the amount on Form 1040, line 33, more than the amount shown on line 4 below for your filing status?  
**No. Stop.** Multiply \$2,650 by the total number of exemptions claimed on Form 1040, line 6d, and enter the result on line 37.  
**Yes.** Go to line 2.

2. Multiply \$2,650 by the total number of exemptions claimed on Form 1040, line 6d . . . . . **2.** \_\_\_\_\_

3. Enter the amount from Form 1040, line 33. . . . . **3.** \_\_\_\_\_

4. Enter the amount shown below for your filing status:  
 • Married filing separately, enter \$90,900  
 • Single, enter \$121,200  
 • Head of household, enter \$151,500  
 • Married filing jointly or Qualifying widow(er), enter \$181,800  
 } **4.** \_\_\_\_\_

5. Subtract line 4 from line 3. If zero or less, **stop**; enter the amount from line 2 above on Form 1040, line 37 . . . . . **5.** \_\_\_\_\_

**Note:** If line 5 is more than \$122,500 (more than \$61,250 if married filing separately), **stop**; you **cannot** take a deduction for exemptions. Enter -0- on Form 1040, line 37.

6. Divide line 5 by \$2,500 (\$1,250 if married filing separately). If the result is not a whole number, round it up to the next higher whole number (for example, round 0.0004 to 1) . . . . . **6.** \_\_\_\_\_

7. Multiply line 6 by 2% (.02) and enter the result as a decimal amount . . . . . **7.** \_\_\_\_\_

8. Multiply line 2 by line 7 . . . . . **8.** \_\_\_\_\_

9. **Deduction for exemptions.** Subtract line 8 from line 2. Enter the result here and on Form 1040, line 37 . . . . . **9.** \_\_\_\_\_

**Line 39**

**Tax**

Use one of the following methods to figure your tax. Also include in the total on line 39 any tax from **Form 4972** and **Form 8814**. Be sure to check the appropriate box.

**Tax Table**

If your taxable income is less than \$100,000, you **must** use the Tax Table to find your tax unless you are required to use **Form 8615** or **Schedule D**. The Tax Table starts on page 39. Be sure you use the correct column.

**Tax Rate Schedules**

You must use the Tax Rate Schedules on page 51 to figure your tax if your taxable income is \$100,000 or more unless you are required to use **Form 8615** or **Schedule D**.

**Schedule D**

If you had a net capital gain on Schedule D and the amount on Form 1040, line 38, is more than zero, use Part IV of Schedule D to figure your tax.

**Form 8615**

Form 8615 must generally be used to figure the tax for any child who was under age 14 on January 1, 1998, and who had more than \$1,300 of investment income, such as taxable interest or dividends. But if neither of the child's parents was alive on December 31, 1997, do not use Form 8615 to figure the child's tax.

**Credits**

**Line 40**

**Credit for Child and Dependent Care Expenses**

You may be able to take this credit if you paid someone to care for your child **under age 13** or your dependent or spouse who could not care for himself or herself. For details, use TeleTax topic 602 (see page 34) or see **Form 2441**.

**Line 41**

**Credit for the Elderly or the Disabled**

You may be able to take this credit if by the end of 1997 (1) you were age 65 or older, or (2) you retired on **permanent and total disability** and you had taxable disability income. But you usually **cannot** take the credit if the amount on Form 1040, line 33, is \$17,500 or more (\$20,000 if married filing jointly and only one spouse is eligible for the credit; \$25,000 if married filing jointly and both spouses are eligible; \$12,500 if married filing separately). See **Schedule R**.

**Line 42**

**Adoption Credit**

You may be able to take this credit if you paid expenses in 1997 to adopt a child and the adoption was final in or before 1997. See **Form 8839** for details.

**Line 43**

**Foreign Tax Credit**

If you paid income tax to a foreign country, see **Form 1116** to find out if you can take this credit.

**Line 44**

**Other Credits**

Include in the total on line 44 any of the following credits and check the appropriate box. If box **d** is checked, also enter the form number. To find out if you can take the credit, see the form or publication indicated.

- Mortgage interest credit. If a state or local government gave you a mortgage credit certificate, see **Form 8396**.
- Credit for prior year minimum tax. If you paid alternative minimum tax in a prior year, see **Form 8801**.
- Qualified electric vehicle credit. If you placed a new electric vehicle in service in 1997, see **Form 8834**.
- General business credit. This credit consists of a number of credits that usually apply only to individuals who are partners, shareholders in an S corporation, self-employed, or who have rental property. See **Form 3800** or **Pub. 334**.
- Empowerment zone employment credit. See **Form 8844**.
- District of Columbia first-time homebuyer credit. See **Form 8859**.



## Line 45

If you sold fuel produced from a nonconventional source, see Internal Revenue Code section 29 to find out if you can take the **nonconventional source fuel credit**. If you can, attach a schedule showing how you figured the credit. Include the credit in the total on line 45. Enter the amount and "FNS" on the dotted line next to line 45.

## Other Taxes

### Line 48

#### Alternative Minimum Tax

Use the worksheet on this page to see if you should complete **Form 6251**.

**Exception.** If you claimed or received any of the following items, **do not** use the worksheet. Instead, fill in Form 6251.

1. Accelerated depreciation.
2. Income from incentive stock options.
3. Tax-exempt interest from private activity bonds.
4. Intangible drilling, circulation, research, experimental, or mining exploration and development costs.
5. Amortization of pollution-control facilities or depletion.
6. Income or (loss) from tax-shelter farm activities or passive activities.
7. Percentage-of-completion income from long-term contracts.
8. Interest paid on a home mortgage **not** used to buy, build, or substantially improve your home.
9. Investment interest expense reported on **Form 4952**.
10. Foreign tax credit.
11. Net operating loss deduction.

**Caution:** Form 6251 should be filled in for a child under age 14 if the total of the child's adjusted gross income from Form 1040, line 33, exceeds the child's earned income by more than \$1,300.

### Line 49

#### Social Security and Medicare 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 and Medicare or railroad retirement (RRTA) tax on the unreported tips. You must also pay this tax if your W-2 form(s) shows allocated tips that you are including in your income on Form 1040, line 7.

To figure the tax, use **Form 4137**. To pay the RRTA tax, contact your employer. Your employer will figure and collect the tax.

### Worksheet To See If You Should Fill In Form 6251—Line 48 (keep for your records)

1. Enter the amount from Form 1040, line 36 . . . . .	1. _____
2. If you itemized deductions on Schedule A, go to line 3. Otherwise, enter your standard deduction from Form 1040, line 35, and go to line 5. . . . .	2. _____
3. Enter the <b>smaller</b> of the amount on Schedule A, line 4, or 2.5% (.025) of the amount on Form 1040, line 33 . . . . .	3. _____
4. Add lines 9 and 26 of Schedule A and enter the total . . . . .	4. _____
5. Add lines 1 through 4 above . . . . .	5. _____
6. Enter \$45,000 (\$22,500 if married filing separately; \$33,750 if single or head of household) . . . . .	6. _____
7. Subtract line 6 from line 5. If zero or less, <b>stop</b> ; you do not need to fill in Form 6251 . . . . .	7. _____
8. Enter \$150,000 (\$75,000 if married filing separately; \$112,500 if single or head of household) . . . . .	8. _____
9. Subtract line 8 from line 5. If zero or less, enter -0- here and on line 10 and go to line 11 . . . . .	9. _____
10. Multiply line 9 by 25% (.25) and enter the result but do not enter more than line 6 above . . . . .	10. _____
11. Add lines 7 and 10. If the total is over \$175,000 (over \$87,500 if married filing separately), <b>stop</b> and fill in Form 6251 to see if you owe the alternative minimum tax . . . . .	11. _____
12. Multiply line 11 by 26% (.26) . . . . .	12. _____

**Next:** If line 12 is more than the amount on Form 1040, line 39 (excluding any amount from Form 4972), fill in Form 6251 to see if you owe the alternative minimum tax. If line 12 is equal to or less than that amount, **do not** fill in Form 6251.

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

### Line 50

#### Tax on Qualified Retirement Plans (Including IRAs) and MSAs

If **any** of the following apply, see **Form 5329** and its instructions to find out if you owe this tax and if you must file Form 5329.

1. You received any early distributions from (a) a qualified retirement plan (including your IRA), (b) an annuity, or (c) a modified endowment contract entered into after June 20, 1988.
2. You made excess contributions to your IRA or MSA.
3. You were born before July 1, 1926, and did not take the minimum required distribution from your qualified retirement plan.

**Exception.** If **only** item 1 above applies to you **and** distribution code 1 is shown in box 7 of your **Form 1099-R**, you do not have to file Form 5329. Instead, multiply the taxable amount of the distribution by 10% (.10) and enter the result on line 50. The taxable amount of the distribution is the part of the distribution you reported on line 15b or line 16b of Form 1040 or on Form 4972. Also, enter "No" on the dotted line next to line 50 to indicate that you do not have to file Form 5329. **But** if distribution code 1 is incorrectly shown in box 7, you must file Form 5329.

### Line 51

#### Advance Earned Income Credit Payments

Enter the total amount of advance earned income credit (EIC) payments you received. These payments should be shown in box 9 of your W-2 form(s).

### Line 52

#### Household Employment Taxes

If **any** of the following apply, see **Schedule H** and its instructions to find out if you owe these taxes.

1. You paid **any one** household employee (defined below) cash wages of \$1,000 or more in 1997.
2. You withheld Federal income tax during 1997 at the request of any household employee.
3. You paid **total** cash wages of \$1,000 or more in **any** calendar **quarter** of 1996 or 1997 to household employees.



*For item 1, do not count amounts paid to an employee who was under age 18 at any time in 1997 and was a student.*

**Household Employee.** Any person who does household work is a household employee if you can control what will be done and how it will be done. Household work includes work done in or around your home by babysitters, nannies, health aides, maids, yard workers, and similar domestic workers.



**Need More Information or Forms?** You can use a personal computer, fax, or phone to get what you need. See page 4.

## Line 53

### Total Tax

Include in the total on line 53 any of the following taxes. To find out if you owe the tax, see the form or publication indicated. On the dotted line next to line 53, enter the amount of the tax and identify it as indicated.

#### Recapture of the following credits.

- Investment credit (see **Form 4255**). Identify as "ICR."
- Low-income housing credit (see **Form 8611**). Identify as "LIHCR."
- Qualified electric vehicle credit (see **Pub. 535**). Identify as "QEVCR."
- Indian employment credit. Identify as "IECR."

**Recapture of Federal Mortgage Subsidy.** If you sold your home in 1997 and it was financed (in whole or in part) from the proceeds of any tax-exempt qualified mortgage bond or you claimed the mortgage interest credit, see **Form 8828**. Identify as "FMSR."

**Section 72(m)(5) Excess Benefits Tax** (see **Pub. 560**). Identify as "Sec. 72(m)(5)."

**Uncollected Social Security and Medicare or RRTA Tax on Tips or Group-Term Life Insurance.** This tax should be shown in box 13 of your Form W-2 with codes **A** and **B** or **M** and **N**. Identify as "UT."

**Golden Parachute Payments.** If you received an excess parachute payment (EPP), you must pay a 20% tax on it. This tax should be shown in box 13 of your W-2 form with code **K**. If you received a **Form 1099-MISC**, the tax is 20% of the EPP shown on that form. Identify as "EPP."

**Tax on Accumulation Distribution of Trusts.** Enter the amount from **Form 4970** and identify as "ADT."

## Payments

### Line 54

#### Federal Income Tax Withheld

Add the amounts shown as Federal income tax withheld on your **Forms W-2, W-2G, and 1099-R**. Enter the total on line 54. The amount withheld should be shown in box 2 of Form W-2 or W-2G, and in box 4 of Form 1099-R. If line 54 includes amounts withheld as shown on Form 1099-R, attach the Form 1099-R.

If you received a 1997 Form 1099 showing Federal income tax withheld on dividends, interest income, unemployment compensation, or other income you received, include the amount withheld in the

total on line 54. This should be shown in box 2 of Form 1099-DIV and box 4 of the other 1099 forms.

### Line 55

#### 1997 Estimated Tax Payments

Enter any payments you made on your estimated Federal income tax (**Form 1040-ES**) for 1997. Include any overpayment from your 1996 return that you applied to your 1997 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 part of it. See **Pub. 505** for details on how to report your payments. Be sure to show both social security numbers (SSNs) in the space provided on the separate returns. If you or your spouse paid separate estimated tax but you are now filing a joint return, add the amounts you each paid. Follow these instructions even if your spouse died in 1997 or in 1998 before filing a 1997 return.

#### Divorced Taxpayers

If you got divorced in 1997 and you made joint estimated tax payments with your former spouse, enter your former spouse's SSN in the space provided on the front of Form 1040. If you were divorced and remarried in 1997, enter your present spouse's SSN in the space provided on the front of Form 1040. Also, under the heading "Payments" to the left of line 55, enter your former spouse's SSN, followed by "DIV."

#### 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. On the statement, explain all the payments you and your spouse made in 1997, where you made them, and the name(s) and SSN(s) under which you made the payments.

### Lines 56a and 56b

#### Earned Income Credit (EIC)

The EIC reduces tax you owe and may give you a refund even if you do not owe any tax. The credit can be as much as—

- \$332 if you do not have a qualifying child (defined on this page),
- \$2,210 if you have one qualifying child, or
- \$3,656 if you have more than one qualifying child.

### Who Can Take the EIC

Answer the questions on the next page to see if you can take this credit. **But** you **cannot** take the credit if **any** of the following apply:

- Your filing status is married filing separately.
- You are filing **Form 2555** or **2555-EZ**, relating to foreign earned income.
- You were a nonresident alien for any part of 1997 and your filing status is any status **except** married filing jointly.

• You, or your spouse if filing a joint return, **(1)** were the qualifying child of another person in 1997, or **(2)** do not have a social security number (defined below). If you cannot take the credit for either of these reasons, enter "No" directly to the right of line 56a.

**Caution:** If you include self-employment income in your earned income for purposes of figuring the credit, but you have not paid the self-employment tax on that income, we may reduce your credit by the amount of the self-employment tax not paid.

**Social Security Number (SSN).** For purposes of the EIC, an SSN means a number issued by the Social Security Administration to a U.S. citizen or to a person who has permission from the Immigration and Naturalization Service to work in the United States.

#### Qualifying Child

A qualifying child is a child who:

1. Is your son, daughter, adopted child, grandchild, stepchild, or foster child, **and**
2. Was (at the end of 1997)—
  - under age 19,
  - under age 24 and a student (see the next page), or
  - any age and permanently and totally disabled (see the next page), **and**
3. Lived with you in the United States for more than half of 1997 (for all of 1997 if a foster child). If the child did not live with you for the required time, see the **Exception** on the next page.

**Caution:** The child must have an SSN (defined above) unless the child was born and died in 1997.

A child does not always have to be your dependent to qualify. But if the child was married or is also a qualifying child of another person (other than your spouse if filing a joint return), special rules apply. See **Married Child** and **Qualifying Child of More Than One Person** on the next page.

**Example.** You are divorced and have a 7-year-old son. Although you had custody of your son, he is claimed as a dependent on his other parent's 1997 tax return. Your

(continued)

son is **your** qualifying child because he meets each of the three requirements listed earlier. Your son is not a qualifying child of his other parent because he did not live with the other parent for more than half of 1997 and the **Exception** does not apply.

The following explains some of the terms used earlier.

- A **foster child** is any child you cared for as your own child. For example, if you acted as the parent of your niece or nephew, this child is considered your foster child.

- A child placed with you by an authorized placement agency for legal adoption is an **adopted child** even if the adoption is not final.

- A **grandchild** is any descendant of your son, daughter, or adopted child. For example, a grandchild includes your great-grandchild, great-great-grandchild, etc.

- A **student** is a child who during any 5 months of 1997—

1. Was enrolled as a full-time student at a school, or

2. Took a full-time, on-farm training course. The course had to be given by a school or a state, county, or local government agency.

A **school** includes technical, trade, and mechanical schools. It does not include on-the-job training courses, correspondence schools, or night schools.

- A child is **permanently and totally disabled** if **both** of the following apply.

1. He or she cannot engage in any substantial gainful activity because of a physical or mental condition.

2. A doctor determines the condition has lasted or can be expected to last continuously for at least a year or can lead to death.

**Exception.** The child, including a foster child, is considered to have lived with you for all of 1997 if **both** of the following apply.

1. The child was born or died in 1997.

2. Your home was the child's home for the entire time he or she was alive during 1997.

Temporary absences, such as for school, vacation, or medical care, count as time lived at home.

### Married Child

If your child was married at the end of 1997, that child is a qualifying child only if you can claim him or her as your dependent on Form 1040, line 6c. But if this child's other parent claimed him or her as a dependent under the rules in **Pub. 501** for children of divorced or separated parents, this child is your qualifying child.

### Questions To See If You Can Take the Earned Income Credit

If you were in the military stationed outside the United States, see **Special Rules** on page 24 before you begin.

#### All filers:

1. Is your **investment income** (see page 23) more than \$2,250?
  - No.** Go to question 2.
  - Yes. Stop.** You **cannot** take the credit.
2. Do you have at least one qualifying child (defined on page 21)?
  - No.** Skip to question 5.
  - Yes.** Go to question 3.

#### If you have at least one qualifying child:

3. Is your **modified AGI** (see page 24) less than \$25,760 (less than \$29,290 if you have more than one qualifying child)?
  - No. Stop.** You **cannot** take the credit.
  - Yes.** Go to question 4.
4. Is the total of your **taxable and nontaxable earned income** (see pages 23 and 24) less than \$25,760 (less than \$29,290 if you have more than one qualifying child)? (Nontaxable earned income includes military housing and subsistence, and contributions to a 401(k) plan.)
  - No. Stop.** You **cannot** take the credit. Enter "No" directly to the right of line 56a.
  - Yes.** You can take the credit. **If you want the IRS to figure it for you, stop.** Enter "EIC" directly to the right of line 56a and attach Schedule EIC to your return. Also, enter the amount and type of any nontaxable earned income on line 56b. **If you want to figure the credit yourself, stop** and complete the worksheet on page 23 now.

#### If you do not have a qualifying child:

5. Is your **modified AGI** (see page 24) less than \$9,770?
  - No. Stop.** You **cannot** take the credit.
  - Yes.** Go to question 6.
6. Were you (or your spouse if filing a joint return) at least age 25 but under age 65 at the end of 1997?
  - No. Stop.** You **cannot** take the credit. Enter "No" directly to the right of line 56a.
  - Yes.** Go to question 7.
7. Can you (or your spouse if filing a joint return) be claimed as a dependent on someone else's 1997 tax return?
  - Yes. Stop.** You **cannot** take the credit.
  - No.** Go to question 8.
8. Was your home (and your spouse's if filing a joint return) in the United States for more than half of 1997?
  - No. Stop.** You **cannot** take the credit. Enter "No" directly to the right of line 56a.
  - Yes.** Go to question 9.
9. Is the total of your **taxable and nontaxable earned income** (see pages 23 and 24) less than \$9,770? (Nontaxable earned income includes military housing and subsistence, and contributions to a 401(k) plan.)
  - No. Stop.** You **cannot** take the credit. Enter "No" directly to the right of line 56a.
  - Yes.** You can take the credit. **If you want the IRS to figure it for you,** enter "EIC" directly to the right of line 56a. Also, enter the amount and type of any nontaxable earned income on line 56b. **If you want to figure the credit yourself,** complete the worksheet on page 23.



**Need More Information or Forms?** You can use a personal computer, fax, or phone to get what you need. See page 4.

### Qualifying Child of More Than One Person

If a child meets the conditions to be a qualifying child of more than one person, only the person who had the **highest** modified AGI (adjusted gross income) for 1997 may treat that child as a qualifying child. The other person(s) **cannot** claim the credit for people who do not have a qualifying child. If the other person is your spouse and you are filing a joint return, this rule does not apply. If you cannot take the credit because of this rule, enter "No" directly to the right of line 56a.

**Example.** You and your 5-year-old daughter moved in with your mother in April 1997. You are not a qualifying child of your mother. Your daughter meets the conditions to be a qualifying child for both you and your mother. Your modified AGI for 1997 was \$8,000 and your mother's was \$14,000. Because your mother's modified AGI was higher, your daughter is your mother's qualifying child. You **cannot** take any EIC, even if your mother does not claim the credit.

### Investment Income

For most people, investment income is the total of the amounts on Form 1040, lines 8a, 8b, 9, and, if more than zero, line 13. But see **Pub. 596** to figure your investment income if you are filing **Schedule E** or you are reporting income from the rental of personal property on Form 1040, line 21.

### Taxable Earned Income

This is usually the amount reported on Form 1040, line 7, plus your earnings from self-employment. (Use the worksheet on page 24 to figure your earnings from self-employment.) But if line 7 of Form 1040 includes an amount for a taxable scholarship or fellowship grant that was not reported on a W-2 form or an amount paid to an inmate in a penal institution, subtract that amount from the total on line 7. The result plus your earnings from self-employment is your taxable earned income for purposes of the EIC. If you subtracted income paid to an inmate, also enter "PRI" and the amount subtracted on the dotted line next to line 7 of Form 1040.

Also, if line 7 of Form 1040 includes any amount paid to a household employee who did not receive a W-2 form, see **Special Rules** on the next page.

### Earned Income Credit Worksheet—Line 56a (keep for your records)



**Caution:** If you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,000 in 1997 or you were a minister or member of a religious order, see **Special Rules** on page 24 before completing this worksheet. Also, see **Special Rules** if Form 1040, line 7, includes any amount paid to an inmate in a penal institution.

1. Enter the amount from Form 1040, line 7 . . . . . **1.** \_\_\_\_\_
2. If you received a taxable scholarship or fellowship grant that was not reported on a W-2 form, enter that amount here . . . . . **2.** \_\_\_\_\_
3. Subtract line 2 from line 1 . . . . . **3.** \_\_\_\_\_
4. Enter any **nontaxable earned income** (see the next page). Types of nontaxable earned income include contributions to a 401(k) plan, and military housing and subsistence. These should be shown in box 13 of your W-2 form . . . . . **4.** \_\_\_\_\_
5. If you were self-employed or used Schedule C or C-EZ as a statutory employee, enter the amount from the worksheet on the next page . . . . . **5.** \_\_\_\_\_
6. Add lines 3, 4, and 5 . . . . . **6.** \_\_\_\_\_
7. Look up the amount on **line 6** above in the **EIC Table** on pages **25–26** to find your credit. Enter the credit here . . . . . **7.** \_\_\_\_\_  
If line 7 is zero, **stop**. You **cannot** take the credit. Enter "No" directly to the right of Form 1040, line 56a.
8. Enter your **modified AGI** (see page 24) . . . . . **8.** \_\_\_\_\_
9. **Is line 8 less than—**
  - \$5,450 if you do not have a qualifying child?
  - \$11,950 if you have at least one qualifying child?
  - Yes.** Go to line 10 now.
  - No.** Look up the amount on **line 8** above in the **EIC Table** on pages **25–26** to find your credit. Enter the credit here . . . . . **9.** \_\_\_\_\_
10. **Earned income credit.**
  - If you checked "Yes" on line 9, enter the amount from line 7.
  - If you checked "No" on line 9, enter the **smaller** of line 7 or line 9 . . . . . **10.** \_\_\_\_\_

**Next:** Take the amount from line 10 above and enter it on Form 1040, line 56a.

**AND**

If you had any nontaxable earned income (see line 4 above), enter the amount and type of that income in the spaces provided on line 56b.

**AND**

Complete **Schedule EIC** and attach it to your return **ONLY** if you have a qualifying child.

**Note:** If you owe the alternative minimum tax (Form 1040, line 48), subtract it from the amount on line 10 above. Then, enter the result (if more than zero) on Form 1040, line 56a. Also, replace the amount on line 10 above with the amount entered on Form 1040, line 56a.

## Nontaxable Earned Income

Certain earned income is not taxable, but it must be included to see if you can take the earned income credit. It is also used to figure the credit. It includes anything of value (money, goods, or services) that is not taxable that you received from your employer for your work. Some examples are listed below.

- Basic quarters and subsistence allowances, the value of in-kind quarters and subsistence, and combat zone excluded pay received from the U.S. military. These amounts should be shown in box 13 of your 1997 W-2 form with code Q.

- Housing allowances or rental value of a parsonage for clergy members. But if you are filing **Schedule SE**, see **Clergy** below.

- Meals and lodging provided for the convenience of your employer.

- Voluntary salary deferrals. If you chose to have your employer contribute part of your pay to certain retirement plans (such as a 401(k) plan or the Federal Thrift Savings Plan) instead of having it paid to you, the "Deferred compensation" box in box 15 of your W-2 form should be checked. The amount deferred should be shown in box 13 of your W-2 form.

- Excludable dependent care benefits from **Form 2441**, line 18.

- Excludable employer-provided adoption benefits from **Form 8839**, line 22.

- Voluntary salary reductions, such as under a cafeteria plan, unless they are included in box 1 of your W-2 form(s). For details, see **Pub. 596**.



*Nontaxable earned income does not include welfare benefits, such as those listed on this page.*

## Modified AGI (Adjusted Gross Income)

Modified AGI is the amount on Form 1040, line 32, increased by the amount of (1) any loss claimed on Form 1040, line 13, and (2) one-half of any losses on Form 1040, lines 12 and 18. But see **Pub. 596** to figure your modified AGI if you are filing **Schedule E** or you are claiming a loss from the rental of personal property not used in a trade or business.

## Effect on Certain Welfare Benefits

Any refund you receive as a result of claiming the EIC will not be used to determine if you are eligible for the following programs, or how much you can receive from them.

- Temporary Assistance for Needy Families (formerly Aid to Families With Dependent Children (AFDC)).

- Medicaid and supplemental security income (SSI).

- Food stamps and low-income housing.

## Line 5 of EIC Worksheet on Page 23

(keep for your records)



If filing a joint return and your spouse was also self-employed or reported income and expenses on Schedule C or C-EZ as a statutory employee, combine your spouse's amounts with yours to figure the amounts to enter below.

### 1. If you are filing Schedule SE:

- a. Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies . . . . . **1a.** \_\_\_\_\_
- b. Enter the amount, if any, from Schedule SE, Section B, line 4b . . . . . **1b.** \_\_\_\_\_
- c. Add lines 1a and 1b . . . . . **1c.** \_\_\_\_\_
- d. Enter the amount from Form 1040, line 26 . **1d.** \_\_\_\_\_
- e. Subtract line 1d from line 1c . . . . . **1e.** \_\_\_\_\_

### 2. If you are NOT required to file Schedule SE (for example, because your net earnings from self-employment were less than \$400), complete lines 2a through 2c. But **do not** include on these lines any statutory employee income or any amount exempt from self-employment tax as the result of the filing and approval of **Form 4029** or **Form 4361**.

- a. Enter any net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), line 15a . . . . . **2a.** \_\_\_\_\_
- b. Enter any net profit or (loss) from Schedule C, line 31, Schedule C-EZ, line 3, and Schedule K-1 (Form 1065), line 15a (other than farming) . . . . . **2b.** \_\_\_\_\_
- c. Add lines 2a and 2b. Enter the total even if a loss . . . . . **2c.** \_\_\_\_\_

### 3. If you are filing Schedule C or C-EZ as a statutory employee, enter the amount from line 1 of that Schedule C or C-EZ . . . . .

- 3.** \_\_\_\_\_
- 4. Add lines 1e, 2c, and 3. Enter the total here and on line 5 of the worksheet on page 23 even if a loss. If the result is a loss, enter it in parentheses and read the **Caution** below . . . . . **4.** \_\_\_\_\_

**Caution:** If line 5 of the *Earned Income Credit Worksheet* is a loss, subtract it from the total of lines 3 and 4 of that worksheet and enter the result on line 6 of that worksheet. If the result is zero or less, you **cannot** take the earned income credit.

## Special Rules

### Members of the Military

If you were on extended active duty outside the United States, your home is considered to be in the United States during that duty period. See **Pub. 596** for the definition of extended active duty.

### Clergy

If you are filing **Schedule SE** and the amount on line 2 of that schedule includes an amount that was also reported on Form 1040, line 7, follow these special rules. First, write "Clergy" directly to the right of line 56a. If you received a housing allowance or were provided housing, **do not** include the allowance or rental value of the parsonage as nontaxable earned income on line 4 of the worksheet on page 23 (or on line 56b of Form 1040) if it is required to be included on Schedule SE, line 2.

Then, if you are figuring the earned income credit yourself, determine how much of the income reported on Form 1040, line 7, was also reported on Schedule SE, line 2. Next, subtract that income from the amount on Form 1040, line 7. Then, enter only the result on line 1 of the worksheet on page 23. Last, be sure to complete the worksheet on this page.

### Household Employees

If you were a household employee who did not receive a W-2 form because your employer paid you less than \$1,000 in 1997, be sure to include the amount you were paid on Form 1040, line 7. Enter "HSH" and the amount not reported on a W-2 form on the dotted line next to line 7.

### Inmates

Amounts paid to inmates in penal institutions for their work are not earned income for purposes of the EIC. If the total on Form 1040, line 7, includes such income, subtract that income from the amount on line 7. Enter the result on line 1 of the worksheet on page 23. Also, enter "PRI" and the amount subtracted on the dotted line next to line 7.



# 1997 Earned Income Credit (EIC) Table

**To find your credit:** First, read down the "At least — But less than" columns and find the line that includes the amount you entered on line 6 or line 8 of the **Earned Income Credit Worksheet** on page 23. Next, read across to the column that includes the number of qualifying children you have. Then, enter the credit from that column on line 7 or line 9 of that worksheet, whichever applies.

**Caution:** *This is not a tax table.*

If the amount on line 6 or line 8 of the worksheet on page 23 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 23 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 23 is—		And you have—							
		No children	One child	Two children			No children	One child	Two children			No children	One child	Two children					
At least	But less than	Your credit is—			At least	But less than	Your credit is—			At least	But less than	Your credit is—							
\$1	\$50	\$2	\$9	\$10	3,200	3,250	247	1,097	1,290	6,400	6,450	256	2,185	2,570	9,600	9,650	11	2,210	3,656
50	100	6	26	30	3,250	3,300	251	1,114	1,310	6,450	6,500	252	2,202	2,590	9,650	9,700	7	2,210	3,656
100	150	10	43	50	3,300	3,350	254	1,131	1,330	6,500	6,550	248	2,210	2,610	9,700	9,750	3	2,210	3,656
150	200	13	60	70	3,350	3,400	258	1,148	1,350	6,550	6,600	244	2,210	2,630	9,750	9,800	*	2,210	3,656
200	250	17	77	90	3,400	3,450	262	1,165	1,370	6,600	6,650	241	2,210	2,650	9,800	11,950	0	2,210	3,656
250	300	21	94	110	3,450	3,500	266	1,182	1,390	6,650	6,700	237	2,210	2,670	11,950	12,000	0	2,203	3,647
300	350	25	111	130	3,500	3,550	270	1,199	1,410	6,700	6,750	233	2,210	2,690	12,000	12,050	0	2,195	3,636
350	400	29	128	150	3,550	3,600	273	1,216	1,430	6,750	6,800	229	2,210	2,710	12,050	12,100	0	2,187	3,625
400	450	33	145	170	3,600	3,650	277	1,233	1,450	6,800	6,850	225	2,210	2,730	12,100	12,150	0	2,179	3,615
450	500	36	162	190	3,650	3,700	281	1,250	1,470	6,850	6,900	221	2,210	2,750	12,150	12,200	0	2,171	3,604
500	550	40	179	210	3,700	3,750	285	1,267	1,490	6,900	6,950	218	2,210	2,770	12,200	12,250	0	2,163	3,594
550	600	44	196	230	3,750	3,800	289	1,284	1,510	6,950	7,000	214	2,210	2,790	12,250	12,300	0	2,155	3,583
600	650	48	213	250	3,800	3,850	293	1,301	1,530	7,000	7,050	210	2,210	2,810	12,300	12,350	0	2,147	3,573
650	700	52	230	270	3,850	3,900	296	1,318	1,550	7,050	7,100	206	2,210	2,830	12,350	12,400	0	2,139	3,562
700	750	55	247	290	3,900	3,950	300	1,335	1,570	7,100	7,150	202	2,210	2,850	12,400	12,450	0	2,131	3,552
750	800	59	264	310	3,950	4,000	304	1,352	1,590	7,150	7,200	199	2,210	2,870	12,450	12,500	0	2,123	3,541
800	850	63	281	330	4,000	4,050	308	1,369	1,610	7,200	7,250	195	2,210	2,890	12,500	12,550	0	2,115	3,531
850	900	67	298	350	4,050	4,100	312	1,386	1,630	7,250	7,300	191	2,210	2,910	12,550	12,600	0	2,107	3,520
900	950	71	315	370	4,100	4,150	316	1,403	1,650	7,300	7,350	187	2,210	2,930	12,600	12,650	0	2,099	3,510
950	1,000	75	332	390	4,150	4,200	319	1,420	1,670	7,350	7,400	183	2,210	2,950	12,650	12,700	0	2,091	3,499
1,000	1,050	78	349	410	4,200	4,250	323	1,437	1,690	7,400	7,450	179	2,210	2,970	12,700	12,750	0	2,083	3,489
1,050	1,100	82	366	430	4,250	4,300	327	1,454	1,710	7,450	7,500	176	2,210	2,990	12,750	12,800	0	2,075	3,478
1,100	1,150	86	383	450	4,300	4,350	332	1,471	1,730	7,500	7,550	172	2,210	3,010	12,800	12,850	0	2,067	3,468
1,150	1,200	90	400	470	4,350	4,400	332	1,488	1,750	7,550	7,600	168	2,210	3,030	12,850	12,900	0	2,059	3,457
1,200	1,250	94	417	490	4,400	4,450	332	1,505	1,770	7,600	7,650	164	2,210	3,050	12,900	12,950	0	2,051	3,446
1,250	1,300	98	434	510	4,450	4,500	332	1,522	1,790	7,650	7,700	160	2,210	3,070	12,950	13,000	0	2,043	3,436
1,300	1,350	101	451	530	4,500	4,550	332	1,539	1,810	7,700	7,750	156	2,210	3,090	13,000	13,050	0	2,035	3,425
1,350	1,400	105	468	550	4,550	4,600	332	1,556	1,830	7,750	7,800	153	2,210	3,110	13,050	13,100	0	2,027	3,415
1,400	1,450	109	485	570	4,600	4,650	332	1,573	1,850	7,800	7,850	149	2,210	3,130	13,100	13,150	0	2,019	3,404
1,450	1,500	113	502	590	4,650	4,700	332	1,590	1,870	7,850	7,900	145	2,210	3,150	13,150	13,200	0	2,011	3,394
1,500	1,550	117	519	610	4,700	4,750	332	1,607	1,890	7,900	7,950	141	2,210	3,170	13,200	13,250	0	2,003	3,383
1,550	1,600	120	536	630	4,750	4,800	332	1,624	1,910	7,950	8,000	137	2,210	3,190	13,250	13,300	0	1,995	3,373
1,600	1,650	124	553	650	4,800	4,850	332	1,641	1,930	8,000	8,050	133	2,210	3,210	13,300	13,350	0	1,987	3,362
1,650	1,700	128	570	670	4,850	4,900	332	1,658	1,950	8,050	8,100	130	2,210	3,230	13,350	13,400	0	1,979	3,352
1,700	1,750	132	587	690	4,900	4,950	332	1,675	1,970	8,100	8,150	126	2,210	3,250	13,400	13,450	0	1,971	3,341
1,750	1,800	136	604	710	4,950	5,000	332	1,692	1,990	8,150	8,200	122	2,210	3,270	13,450	13,500	0	1,963	3,331
1,800	1,850	140	621	730	5,000	5,050	332	1,709	2,010	8,200	8,250	118	2,210	3,290	13,500	13,550	0	1,955	3,320
1,850	1,900	143	638	750	5,050	5,100	332	1,726	2,030	8,250	8,300	114	2,210	3,310	13,550	13,600	0	1,947	3,310
1,900	1,950	147	655	770	5,100	5,150	332	1,743	2,050	8,300	8,350	111	2,210	3,330	13,600	13,650	0	1,939	3,299
1,950	2,000	151	672	790	5,150	5,200	332	1,760	2,070	8,350	8,400	107	2,210	3,350	13,650	13,700	0	1,931	3,289
2,000	2,050	155	689	810	5,200	5,250	332	1,777	2,090	8,400	8,450	103	2,210	3,370	13,700	13,750	0	1,923	3,278
2,050	2,100	159	706	830	5,250	5,300	332	1,794	2,110	8,450	8,500	99	2,210	3,390	13,750	13,800	0	1,915	3,267
2,100	2,150	163	723	850	5,300	5,350	332	1,811	2,130	8,500	8,550	95	2,210	3,410	13,800	13,850	0	1,907	3,257
2,150	2,200	166	740	870	5,350	5,400	332	1,828	2,150	8,550	8,600	91	2,210	3,430	13,850	13,900	0	1,899	3,246
2,200	2,250	170	757	890	5,400	5,450	332	1,845	2,170	8,600	8,650	88	2,210	3,450	13,900	13,950	0	1,891	3,236
2,250	2,300	174	774	910	5,450	5,500	329	1,862	2,190	8,650	8,700	84	2,210	3,470	13,950	14,000	0	1,883	3,225
2,300	2,350	178	791	930	5,500	5,550	325	1,879	2,210	8,700	8,750	80	2,210	3,490	14,000	14,050	0	1,875	3,215
2,350	2,400	182	808	950	5,550	5,600	321	1,896	2,230	8,750	8,800	76	2,210	3,510	14,050	14,100	0	1,867	3,204
2,400	2,450	186	825	970	5,600	5,650	317	1,913	2,250	8,800	8,850	72	2,210	3,530	14,100	14,150	0	1,859	3,194
2,450	2,500	189	842	990	5,650	5,700	313	1,930	2,270	8,850	8,900	68	2,210	3,550	14,150	14,200	0	1,851	3,183
2,500	2,550	193	859	1,010	5,700	5,750	309	1,947	2,290	8,900	8,950	65	2,210	3,570	14,200	14,250	0	1,843	3,173
2,550	2,600	197	876	1,030	5,750	5,800	306	1,964	2,310	8,950	9,000	61	2,210	3,590	14,250	14,300	0	1,835	3,162
2,600	2,650	201	893	1,050	5,800	5,850	302	1,981	2,330	9,000	9,050	57	2,210	3,610	14,300	14,350	0	1,827	3,152
2,650	2,700	205	910	1,070	5,850	5,900	298	1,998	2,350	9,050	9,100	53	2,210	3,630	14,350	14,400	0	1,819	3,141
2,700	2,750	208	927	1,090	5,900	5,950	294	2,015	2,370	9,100	9,150	49	2,210	3,656	14,400	14,450	0	1,811	3,131
2,750	2,800	212	944	1,110	5,950	6,000	290	2,03											

**1997 Earned Income Credit (EIC) Table** *Continued* (Caution: This is **not** a tax table.)

If the amount on line 6 or line 8 of the worksheet on page 23 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 23 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 23 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 23 is—		And you have—		
		No children	One child	Two children			No children	One child	Two children			No children	One child	Two children			No children	One child	Two children
At least	But less than	Your credit is—			At least	But less than	Your credit is—			At least	But less than	Your credit is—			At least	But less than	Your credit is—		
14,900	14,950	0	1,731	3,025	18,500	18,550	0	1,156	2,267	22,100	22,150	0	581	1,509	25,700	25,750	0	6	751
14,950	15,000	0	1,723	3,015	18,550	18,600	0	1,148	2,257	22,150	22,200	0	573	1,498	25,750	25,800	0	**	740
15,000	15,050	0	1,715	3,004	18,600	18,650	0	1,140	2,246	22,200	22,250	0	565	1,488	25,800	25,850	0	0	730
15,050	15,100	0	1,707	2,994	18,650	18,700	0	1,132	2,236	22,250	22,300	0	557	1,477	25,850	25,900	0	0	719
15,100	15,150	0	1,699	2,983	18,700	18,750	0	1,124	2,225	22,300	22,350	0	549	1,467	25,900	25,950	0	0	709
15,150	15,200	0	1,691	2,973	18,750	18,800	0	1,116	2,214	22,350	22,400	0	541	1,456	25,950	26,000	0	0	698
15,200	15,250	0	1,683	2,962	18,800	18,850	0	1,108	2,204	22,400	22,450	0	533	1,446	26,000	26,050	0	0	688
15,250	15,300	0	1,675	2,952	18,850	18,900	0	1,100	2,193	22,450	22,500	0	525	1,435	26,050	26,100	0	0	677
15,300	15,350	0	1,667	2,941	18,900	18,950	0	1,092	2,183	22,500	22,550	0	517	1,425	26,100	26,150	0	0	667
15,350	15,400	0	1,659	2,930	18,950	19,000	0	1,084	2,172	22,550	22,600	0	509	1,414	26,150	26,200	0	0	656
15,400	15,450	0	1,651	2,920	19,000	19,050	0	1,076	2,162	22,600	22,650	0	501	1,404	26,200	26,250	0	0	645
15,450	15,500	0	1,644	2,909	19,050	19,100	0	1,068	2,151	22,650	22,700	0	493	1,393	26,250	26,300	0	0	635
15,500	15,550	0	1,636	2,899	19,100	19,150	0	1,060	2,141	22,700	22,750	0	485	1,383	26,300	26,350	0	0	624
15,550	15,600	0	1,628	2,888	19,150	19,200	0	1,052	2,130	22,750	22,800	0	477	1,372	26,350	26,400	0	0	614
15,600	15,650	0	1,620	2,878	19,200	19,250	0	1,044	2,120	22,800	22,850	0	469	1,362	26,400	26,450	0	0	603
15,650	15,700	0	1,612	2,867	19,250	19,300	0	1,036	2,109	22,850	22,900	0	461	1,351	26,450	26,500	0	0	593
15,700	15,750	0	1,604	2,857	19,300	19,350	0	1,028	2,099	22,900	22,950	0	453	1,340	26,500	26,550	0	0	582
15,750	15,800	0	1,596	2,846	19,350	19,400	0	1,020	2,088	22,950	23,000	0	445	1,330	26,550	26,600	0	0	572
15,800	15,850	0	1,588	2,836	19,400	19,450	0	1,012	2,078	23,000	23,050	0	437	1,319	26,600	26,650	0	0	561
15,850	15,900	0	1,580	2,825	19,450	19,500	0	1,004	2,067	23,050	23,100	0	429	1,309	26,650	26,700	0	0	551
15,900	15,950	0	1,572	2,815	19,500	19,550	0	996	2,056	23,100	23,150	0	421	1,298	26,700	26,750	0	0	540
15,950	16,000	0	1,564	2,804	19,550	19,600	0	988	2,046	23,150	23,200	0	413	1,288	26,750	26,800	0	0	530
16,000	16,050	0	1,556	2,794	19,600	19,650	0	980	2,035	23,200	23,250	0	405	1,277	26,800	26,850	0	0	519
16,050	16,100	0	1,548	2,783	19,650	19,700	0	972	2,025	23,250	23,300	0	397	1,267	26,850	26,900	0	0	509
16,100	16,150	0	1,540	2,773	19,700	19,750	0	964	2,014	23,300	23,350	0	389	1,256	26,900	26,950	0	0	498
16,150	16,200	0	1,532	2,762	19,750	19,800	0	956	2,004	23,350	23,400	0	381	1,246	26,950	27,000	0	0	488
16,200	16,250	0	1,524	2,751	19,800	19,850	0	948	1,993	23,400	23,450	0	373	1,235	27,000	27,050	0	0	477
16,250	16,300	0	1,516	2,741	19,850	19,900	0	940	1,983	23,450	23,500	0	365	1,225	27,050	27,100	0	0	466
16,300	16,350	0	1,508	2,730	19,900	19,950	0	932	1,972	23,500	23,550	0	357	1,214	27,100	27,150	0	0	456
16,350	16,400	0	1,500	2,720	19,950	20,000	0	924	1,962	23,550	23,600	0	349	1,204	27,150	27,200	0	0	445
16,400	16,450	0	1,492	2,709	20,000	20,050	0	916	1,951	23,600	23,650	0	341	1,193	27,200	27,250	0	0	435
16,450	16,500	0	1,484	2,699	20,050	20,100	0	908	1,941	23,650	23,700	0	333	1,183	27,250	27,300	0	0	424
16,500	16,550	0	1,476	2,688	20,100	20,150	0	900	1,930	23,700	23,750	0	325	1,172	27,300	27,350	0	0	414
16,550	16,600	0	1,468	2,678	20,150	20,200	0	892	1,920	23,750	23,800	0	317	1,161	27,350	27,400	0	0	403
16,600	16,650	0	1,460	2,667	20,200	20,250	0	884	1,909	23,800	23,850	0	309	1,151	27,400	27,450	0	0	393
16,650	16,700	0	1,452	2,657	20,250	20,300	0	876	1,899	23,850	23,900	0	301	1,140	27,450	27,500	0	0	382
16,700	16,750	0	1,444	2,646	20,300	20,350	0	868	1,888	23,900	23,950	0	293	1,130	27,500	27,550	0	0	372
16,750	16,800	0	1,436	2,636	20,350	20,400	0	860	1,877	23,950	24,000	0	285	1,119	27,550	27,600	0	0	361
16,800	16,850	0	1,428	2,625	20,400	20,450	0	852	1,867	24,000	24,050	0	277	1,109	27,600	27,650	0	0	351
16,850	16,900	0	1,420	2,615	20,450	20,500	0	844	1,856	24,050	24,100	0	269	1,098	27,650	27,700	0	0	340
16,900	16,950	0	1,412	2,604	20,500	20,550	0	837	1,846	24,100	24,150	0	261	1,088	27,700	27,750	0	0	330
16,950	17,000	0	1,404	2,594	20,550	20,600	0	829	1,835	24,150	24,200	0	253	1,077	27,750	27,800	0	0	319
17,000	17,050	0	1,396	2,583	20,600	20,650	0	821	1,825	24,200	24,250	0	245	1,067	27,800	27,850	0	0	309
17,050	17,100	0	1,388	2,572	20,650	20,700	0	813	1,814	24,250	24,300	0	237	1,056	27,850	27,900	0	0	298
17,100	17,150	0	1,380	2,562	20,700	20,750	0	805	1,804	24,300	24,350	0	229	1,046	27,900	27,950	0	0	287
17,150	17,200	0	1,372	2,551	20,750	20,800	0	797	1,793	24,350	24,400	0	221	1,035	27,950	28,000	0	0	277
17,200	17,250	0	1,364	2,541	20,800	20,850	0	789	1,783	24,400	24,450	0	213	1,025	28,000	28,050	0	0	266
17,250	17,300	0	1,356	2,530	20,850	20,900	0	781	1,772	24,450	24,500	0	205	1,014	28,050	28,100	0	0	256
17,300	17,350	0	1,348	2,520	20,900	20,950	0	773	1,762	24,500	24,550	0	197	1,003	28,100	28,150	0	0	245
17,350	17,400	0	1,340	2,509	20,950	21,000	0	765	1,751	24,550	24,600	0	189	993	28,150	28,200	0	0	235
17,400	17,450	0	1,332	2,499	21,000	21,050	0	757	1,741	24,600	24,650	0	181	982	28,200	28,250	0	0	224
17,450	17,500	0	1,324	2,488	21,050	21,100	0	749	1,730	24,650	24,700	0	173	972	28,250	28,300	0	0	214
17,500	17,550	0	1,316	2,478	21,100	21,150	0	741	1,720	24,700	24,750	0	165	961	28,300	28,350	0	0	203
17,550	17,600	0	1,308	2,467	21,150	21,200	0	733	1,709	24,750	24,800	0	157	951	28,350	28,400	0	0	193
17,600	17,650	0	1,300	2,457	21,200	21,250	0	725	1,698	24,800	24,850	0	149	940	28,400	28,450	0	0	182
17,650	17,700	0	1,292	2,446	21,250	21,300	0	717	1,688	24,850	24,900	0	141	930	28,450	28,500	0	0	172
17,700	17,750	0	1,284	2,436	21,300	21,350	0	709	1,677	24,900	24,950	0	133	919	28,500	28,550	0	0	161
17,750	17,800	0	1,276	2,425	21,350	21,400	0	701	1,667	24,950	25,000	0	125	909	28,550	28,600	0	0	151
17,800	17,850	0	1,268	2,415	21,400	21,450	0	693	1,656	25,000	25,050	0	117	898	28,600	28,650	0	0	140
17,850	17,900	0	1,260	2,404	21,450	21,500	0	685	1,646	25,050	25,100	0	109	888	28,650	28,700	0	0	130
17,900	17,950	0	1,252	2,393	21,500	21,550	0	677	1,635	25,100	25,150	0	101	877	28,700	28,750	0	0	119
17,950	18,000	0	1,244	2,383	21,550	21,600	0	669	1,625	25,150	25,200	0	93	867	28,750	28,800	0	0	108
18,000	18,050	0	1,236	2,372	21,600	21,650	0	661	1,614	25,200	25,250	0	85	856	28,800	28,850	0	0	98
18,050	18,100	0	1,228	2,362															



**Need More Information or Forms?** You can use a personal computer, fax, or phone to get what you need. See page 4.

## Line 57

### Amount Paid With Form 4868 (Request for Extension)

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

## Line 58

### Excess Social Security and RRTA Tax Withheld

If you had more than one employer for 1997 and your total wages were over \$65,400, too much social security tax may have been withheld. You can take a credit on this line for the amount withheld in excess of \$4,054.80. But if any one employer withheld more than \$4,054.80, you must ask that employer to refund the excess to you. You cannot claim it on your return.

If you had more than one railroad employer for 1997 and your total compensation was over \$48,600, too much railroad retirement (RRTA) tax may have been withheld.

For more details, see **Pub. 505**.

## Line 59

### Other Payments

Check the box(es) on line 59 to report any credit from **Form 2439** or **Form 4136**.

## Refund

## Line 61

### Amount Overpaid

If line 61 is under \$1, we will send a refund only on written request.



*If the amount you overpaid is large, you may want to decrease the amount of income tax withheld from your pay. See*

**Income Tax Withholding and Estimated Tax Payments for 1998** on page 29.

### Injured Spouse Claim

If you file a joint return and your spouse has not paid child or spousal support payments or certain Federal debts such as student loans, all or part of the overpayment on line 61 may be used to pay the past-due amount. But **your** part of the overpayment may be refunded to you if certain conditions apply and you complete and attach **Form 8379**. For details, use TeleTax topic 203 (see page 34) or see

Form 8379. If you file Form 8379, you **cannot** request direct deposit.

## Lines 62b Through 62d

### Direct Deposit of Refund

Complete lines 62b through 62d if you want us to directly deposit the amount shown on line 62a into your account at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) instead of sending you a check.

#### Why Use Direct Deposit?

- You get your refund fast—even faster if you *e-file!*.
- Payment is more secure—there is no check to get lost.
- More convenient. No trip to the bank to deposit your check.
- Saves tax dollars. A refund by direct deposit costs less than a check.



*You can check with your financial institution to make sure your deposit will be accepted and get the correct routing number and account number.*

#### Line 62b

The routing number **must** be **nine** digits. If the first two digits are not 01 through 12 or 21 through 32, the direct deposit will be rejected and a check sent instead. On the sample check on this page, the routing number is 250250025.

Your check may state that it is payable through a bank different from the financial institution at which you have your checking account. If so, do not use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter on this line.

#### Line 62d

The account number can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special symbols. Enter the number from left to

right and leave any unused boxes blank. On the sample check on this page, the account number is 20202086. Be sure **not** to include the check number.

**Caution:** *Some financial institutions will not allow a joint refund to be deposited into an individual account. The IRS is not responsible if a financial institution refuses a direct deposit.*

## Line 63

### Applied to 1998 Estimated Tax

Enter on line 63 the amount, if any, of the overpayment on line 61 you want applied to your 1998 estimated tax. We will apply this amount to your account unless you attach a statement requesting us to apply it to your spouse's account. Include your spouse's social security number. This election to apply part or all of the amount overpaid to your 1998 estimated tax cannot be changed later.

## Amount You Owe

## Line 64

### Amount You Owe



*You do not have to pay if line 64 is under \$1.*

Include any estimated tax penalty from line 65 in the amount you enter on line 64.

Make your check or money order payable to the "Internal Revenue Service" (not "IRS") for the full amount due. **Do not send cash.** Write "1997 Form 1040" and your name, address, daytime phone number, and social security number (SSN) on your payment. If you are filing a joint return, enter the SSN shown first on your tax return.

(continued)

**PAUL MAPLE  
LILIAN MAPLE**  
123 Main Street  
Anyplace, NY 10000

PAY TO THE ORDER OF \_\_\_\_\_ \$

ANYPLACE BANK  
Anyplace, NY 10000

For \_\_\_\_\_

Routing number (line 62b): 250250025  
Account number (line 62d): 20202086

1234  
15-00000000

Do not include the check number

**Note:** The routing and account numbers may appear in different places on your check.

Then, please complete **Form 1040-V** following the instructions on that form and enclose it in the envelope with your payment.

**Do not** include any estimated tax payment in your check or money order. Mail any estimated tax payment in an envelope separate from the one you use to pay the tax due on Form 1040.



*You may need to (a) increase the amount of income tax withheld from your pay or (b) make estimated tax payments for 1998. See **Income Tax Withholding and Estimated Tax Payments for 1998** on the next page.*

### Installment Payments

If you cannot pay the full amount shown on line 64 when you file, you may ask to make monthly installment payments. However, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 15, 1998, even if your request to pay in installments is granted. You must also pay a fee. To limit the interest and penalty charges, pay as much of the tax as possible when you file. But before requesting an installment agreement, you should consider other less costly alternatives, such as a bank loan.

To ask for an installment agreement, use **Form 9465**. You should receive a response to your request for installments within 30 days. But if you file your return after March 31, it may take us longer to reply.

## Line 65

### Estimated Tax Penalty

You may owe this penalty if:

- Line 64 (minus line 52) is at least \$500 and it is more than 10% of the tax shown on your return, or
- You did not pay enough estimated tax by any of the due dates. This is true even if you are due a refund.

For most people, the "tax shown on your return" is the amount on line 53 minus the total of any amounts shown on lines 52 and 56a and Forms 8828, 4137, 4136, and 5329 (Parts II, III, and IV only).

### Exceptions to the Penalty

You will not owe the penalty if your 1996 tax return was for a tax year of 12 full months AND either of the following applies:

1. You had no tax liability for 1996 and you were a U.S. citizen or resident for all of 1996, or
2. The total of lines 54, 55, and 58 on your 1997 return is at least as much as the tax liability shown on your 1996 return. Your estimated tax payments for 1997 must have been made on time and for the required amount.

**Caution:** *If your 1996 adjusted gross income was over \$150,000 (over \$75,000 if your 1997 filing status is married filing separately), item 2 above applies only if the*

*total of lines 54, 55, and 58 on your 1997 return is at least 110% of the tax liability shown on your 1996 return. This rule does not apply to farmers and fishermen.*

### Figuring the Penalty

If the **Exceptions** above do not apply and you choose to figure the penalty yourself, see **Form 2210** (or **2210-F** for farmers and fishermen) to find out if you owe the penalty. If so, you can use the form to figure the amount. In certain situations, you may be able to lower your penalty. For details, see the Instructions for Form 2210 (or 2210-F). Enter the penalty on Form 1040, line 65. Add the penalty to any tax due and enter the total on line 64. If you are due a refund, subtract the penalty from the overpayment you show on line 61. **Do not** file Form 2210 with your return unless Form 2210 indicates that you must do so. Instead, keep it for your records.



*Because Form 2210 is complicated, if you want you can leave line 65 blank and the IRS will figure the penalty and send you a bill. We will not charge you interest on the penalty if you pay by the date specified on the bill.*

## Sign Your Return

Form 1040 is not considered a valid return unless you sign it. If you are filing a joint return, your spouse must also sign. If you have someone prepare your return, you are still responsible for the correctness of the return. If you are filing a joint return as a surviving spouse, see **Death of a Taxpayer** on page 29.

### Child's Return

If your child cannot sign the return, either parent may sign the child's name in the space provided. Then, add "By (your signature), parent for minor child."

### Paid Preparers Must Sign Your Return

Generally, anyone you pay to prepare your return must sign it by hand in the space provided. Signature stamps or labels cannot be used. The preparer must give you a copy of the return for your records. Someone who prepares your return but does not charge you should not sign your return.

## Assemble Your Return

Assemble any schedules and forms behind Form 1040 in order of the "Attachment Sequence No." shown in the upper right corner of the schedule or form. Put any forms without an attachment sequence number next. If you have supporting statements, arrange them in the same order as the forms or schedules they support and attach them last. **Do not** attach items unless required to do so. Attach the

first copy or Copy B of Form(s) W-2 to the front of Form 1040.

## How To Avoid Common Mistakes

Mistakes may delay your refund or result in notices being sent to you.

1. Make sure you entered the correct SSN for each dependent you claim on line 6c.

2. Check your math, especially for the earned income credit, taxable social security benefits, deduction for exemptions, taxable income, total income, total tax, Federal income tax withheld, and refund or amount you owe.

3. Remember to **sign** and date Form 1040 and enter your occupation.

4. Make sure your name, address, and SSN are correct on the peel-off label. If not, enter the correct information.

5. If you are taking the standard deduction and you checked any box on line 34a or you (or your spouse if filing jointly) can be claimed as a dependent on someone's return, see page 18 to be sure you entered the correct amount on line 35.

6. If you (or your spouse if you check the box on line 6b) were age 65 or older or blind, be sure you checked the appropriate boxes on line 34a.

7. If you are married filing jointly and did not get a peel-off label, or you are married filing separately, be sure you entered your spouse's SSN in the space provided on page 1 of Form 1040. Also, be sure you entered your SSN in the space provided next to your name.

8. Attach your W-2 form(s) and other required forms and schedules. Put all forms and schedules in the proper order. See **Assemble Your Return** on this page.

9. If you owe tax, be sure to include all the required information on your payment. See the instructions for line 64 on page 27 for details.

# General Information

## What Are Your Rights as a Taxpayer?

You have the right to be treated fairly, professionally, promptly, and courteously by IRS employees. Our goal at the IRS is to protect your rights so that you will have the highest confidence in the integrity, efficiency, and fairness of our tax system. To ensure that you always receive such treatment, you should know about the many rights you have at each step of the tax process. For details, see **Pub. 1**.

## Income Tax Withholding and Estimated Tax Payments for 1998

If the amount you owe or the amount you overpaid is large, you may want to file a new **Form W-4** with your employer to change the amount of income tax withheld from your 1998 pay. In general, you do not have to make estimated tax payments if you expect that your 1998 Form 1040 will show a tax refund or a tax balance due the IRS of less than \$1,000. If your total estimated tax (including any household employment taxes or alternative minimum tax) for 1998 is \$1,000 or more, see **Form 1040-ES**. It has a worksheet you can use to see if you have to make estimated tax payments. For more details, see **Pub. 505**.

## Do Both the Name and SSN on Your Tax Forms Agree With Your Social Security Card?

If not, your refund may be delayed or you may not receive credit for your social security earnings. If your Form W-2, Form 1099, or other tax document shows an incorrect SSN or name, notify your employer or the form-issuing agent as soon as possible to make sure your earnings are credited to your social security record. If the name or SSN on your social security card is incorrect, call the Social Security Administration at 1-800-772-1213.

## How Do You Make a Gift To Reduce the Public Debt?

If you wish to do so, make a check payable to "Bureau of the Public Debt." You can send it to: Bureau of the Public Debt, Department G, Washington, DC 20239-0601. Or, you can enclose the check with your income tax return when you file. Do not add your gift to any tax you may owe. If you owe tax, make a separate check for that amount payable to "Internal Revenue Service."



*If you itemize your deductions for 1998, you may be able to deduct this gift.*

## Address Change

If you move after you file, always notify in writing the Internal Revenue Service Center where you filed your last return, or the Chief, Taxpayer Service Division, at your local IRS district office. You can use **Form 8822** to notify us of your new address. If you are expecting a refund, also notify the post office serving your old address. This will help forward your check to your new address.

## How Long Should Records Be Kept?

Keep a copy of your tax return, worksheets you used, and records of all items appearing on it (such as W-2 and 1099 forms) 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. You should keep some records longer. For example, keep property records (including those on your home) as long as they are needed to figure the basis of the original or replacement property. For more details, see **Pub. 552**.

## Amended Return

File **Form 1040X** to change a return you already filed. Generally, Form 1040X must be filed within 3 years after the date the original return was filed, or within 2 years after the date the tax was paid, whichever is later.

## Need a Copy of Your Tax Return?

If you need a copy of your tax return, use **Form 4506**. If you have questions about your account, call or write your local IRS office. If you want a printed copy of your account, it will be mailed to you free of charge.

## Death of a Taxpayer

If a taxpayer died before filing a return for 1997, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property. If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund. The person who files the return should write "**DECEASED**," the deceased taxpayer's name, and the date of death across the top of the return.

If your spouse died in 1997 and you did not remarry in 1997, you can file a joint return. You can also file a joint return if your spouse died in 1998 before filing a 1997 return. A joint return should show your spouse's 1997 income before death and your income for all of 1997. 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.

The surviving spouse or personal representative should promptly notify all payers of income, including financial institutions, of the taxpayer's death. This will ensure the proper reporting of income earned by the taxpayer's estate or heirs. A deceased taxpayer's social security number should not be used for tax years after the year of death, except for estate tax return purposes.

## Claiming a Refund for a Deceased Taxpayer

If you are filing a joint return as a surviving spouse, you only need to file the tax return to claim the refund. If you are a court-appointed representative, file the return **and** attach a copy of the certificate that shows your appointment. All other filers requesting the deceased taxpayer's refund must file the return and attach **Form 1310**.

For more details, use TeleTax topic 356 (see page 34) or see **Pub. 559**.


## Explore IRS e-file!

Millions of people **JUST LIKE YOU** file their tax returns **ELECTRONICALLY** using an *e-file* option because they offer:

- **A Fast Refund IN HALF THE TIME—Even Faster with Direct Deposit**
- **Faster Processing and Increased Accuracy**
- **An Acknowledgment of IRS Receipt within 48 hours**

In many cases, *e-file* options allow you to file your state tax return with your Federal return. What's more, with *e-file*, your return is less likely to have errors therefore lessening your chances of receiving a letter from IRS. Here's how you can participate with *e-file*:

### See A Tax Professional

 Many tax professionals file returns electronically for their clients. You can prepare your own return and have a professional transmit it electronically or you can have your return both prepared AND transmitted electronically. Look for the "AUTHORIZED IRS e-file PROVIDER" sign. Tax professionals may charge a fee to *e-file* your return and fees may vary depending on the professional and the specific services requested.

### Use A Personal Computer

If you have a modem, personal computer and tax preparation software, you can *e-file* your tax return from the convenience of your home. Tax preparation software is available at your local computer retailer or through various web sites over the Internet. Through a tax return transmitter, you can file 24 hours a day, 7 days a week. A tax return transmitter may charge a fee for transmitting your return.

### Visit a VITA/TCE Site

The IRS offers FREE Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs. Many of these sites also offer *e-file*. See this page for details on these programs.

### Ask Your Employer or Financial Institution

Some businesses offer *e-file* FREE to their employees as a benefit. Others offer it for a fee to customers. Ask your employer or financial institution if they offer electronic filing. If they don't, why not suggest that they offer it as a benefit or service?

### Use a Phone



For millions of eligible taxpayers, *TeleFile* is the easiest way to file. The call only takes about 10 minutes! It allows taxpayers to file simple Federal tax returns using a Touch-Tone telephone. It's completely paperless. Eligible taxpayers will automatically receive the *TeleFile Tax Package* in the mail. **Parents!: If your children receive a *TeleFile Tax Package*, please encourage them to use *TeleFile*!**

## Other Ways To Get Help

### Send Your Written Questions to the IRS

You may send your written tax questions to your IRS District Director. You should get an answer in about 30 days. If you do not have the address, call us. See page 33.

### Assistance With Your Return

Many IRS offices can help you prepare your return. An assister will explain a Form 1040EZ, 1040A, or 1040 with Schedules A and B to you and other taxpayers in a group setting. You may also be able to file your return electronically by computer free of charge at many IRS offices. To find the IRS office nearest you, look in the phone book under "United States Government, Internal Revenue Service" or call us. See page 33 for the number.

### VITA and TCE

These programs help older, disabled, low-income, and non-English-speaking people fill in their returns. For details, call us. See page 33 for the number. If you received a Federal income tax package in the mail, take it with you when you go for help. Also take a copy of your 1996 tax return if you have it. Or to find the nearest American Association of Retired Persons (AARP) Tax-Aide site, visit AARP's Internet Web Site at [www.aarp.org/taxaide/home.htm](http://www.aarp.org/taxaide/home.htm).

### On-Line Services

If you subscribe to an on-line service, ask about on-line filing or tax information.

### Large-Print Forms and Instructions

**Pub. 1614** has large-print copies of Form 1040, Schedules A, B, D, E, EIC, and R, and Form 1040-V, and their instructions. You can use the large-print forms and schedules as worksheets to figure your tax, but you cannot file on them. You can order **Pub. 1614** by phone or mail. See page 4.

### Help for People With Disabilities

Telephone help is available using TTY/TDD equipment. See page 33 for the number to call. Braille materials are available at libraries that have special services for people with disabilities.

### Help With Unresolved Tax Issues

The **Problem Resolution Program** is for people who have been unable to resolve their problems with the IRS. This office cannot change the tax law or technical decisions. But it can help you clear up problems that resulted from previous contacts.

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 Res-

olution assistance. People with access to TTY/TDD equipment may call 1-800-829-4059 to ask for help from Problem Resolution. For more details, use TeleTax topic 104 (see page 34) or see **Pub. 1546**.

## Interest and Penalties



*You do not have to figure the amount of any interest or penalties you may owe. Because figuring these amounts can be complicated, we will do it for you if you want. We will send you a bill for any amount due.*

If you include interest or penalties with your payment, identify and enter the amount in the bottom margin of Form 1040, page 2. Please **do not** include it in the **Amount You Owe** on line 64.

### 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, negligence, fraud, substantial valuation misstatements, and substantial understatements of tax. Interest is charged on the penalty from the due date of the return (including extensions).

### Penalties

**Late Filing.** If you do not file your return by the due date (including extensions), the penalty is usually 5% of the amount due for each month or part of a month your return is late, unless you have a reasonable explanation. If you do, attach it to your return. The penalty cannot usually be more than 25% of the tax due. If your return is more than 60 days late, the minimum penalty will be \$100 or the amount of any tax you owe, whichever is smaller.

**Late Payment of Tax.** If you pay your taxes late, the penalty is usually 1/2 of 1% of the unpaid amount for each month or part of a month the tax is not paid. The penalty cannot be more than 25% of the unpaid amount. It applies to any unpaid tax on the return. This penalty is in addition to interest charges on late payments.

**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 that 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 altering or striking out the preprinted language above the space where you sign.

**Other.** Other penalties can be imposed for negligence, substantial understatement of tax, and fraud. Criminal penalties may be imposed for willful failure to file, tax evasion, or making a false statement. See **Pub. 17** for details on some of these penalties.

# Order Blank for Forms and Publications

The most frequently ordered forms and publications are listed on the order blank below and on the next page. We will mail you two copies of each form and one copy of each publication or set of instructions you order. To help reduce waste, please order only the items you need to prepare your return.



For faster ways of getting the items you need, see page 4.

## How To Use the Order Blank

Circle the items you need on the order blank below. Use the blank spaces to order items not listed. If you need more space, attach a separate sheet of paper.

**Print or type your name and address accurately in the space provided below.** Cut the order blank on the dotted line. Enclose the order blank in your own envelope and address it to the IRS address shown on this page that applies to you. You should receive your order or notification of its status within 7 to 15 workdays after we receive your request.

**Do not** send your tax return to any of the addresses listed on this page. Instead, see the back cover.



### Where To Mail Your Order Blank for Free Forms and Publications

IF you live in . . .	THEN mail to . . .	Other locations . . .
Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming, Guam, Northern Marianas, American Samoa	Western Area Distribution Center (WADC) Rancho Cordova, CA 95743-0001	<b>Foreign Addresses</b> — If your mailing address is in a foreign country, mail the order blank to either: EADC, P.O. Box 25866, Richmond, VA 23286-8107; or WADC, Rancho Cordova, CA 95743-0001, whichever is closer. Mail letter requests for other forms and publications to: EADC, P.O. Box 25866, Richmond, VA 23286-8107.  <b>Puerto Rico</b> —EADC, P.O. Box 25866, Richmond, VA 23286-8107  <b>Virgin Islands</b> —V.I. Bureau of Internal Revenue, 9601 Estate Thomas, Charlotte Amalie, St. Thomas, VI 00802
Alabama, Arkansas, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, South Dakota, Tennessee, Texas, Wisconsin	Central Area Distribution Center (CADC) P.O. Box 8903 Bloomington, IL 61702-8903	
Connecticut, Delaware, District of Columbia, Florida, Georgia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Vermont, Virginia, West Virginia	Eastern Area Distribution Center (EADC) P.O. Box 85074 Richmond, VA 23261-5074	

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*Detach at this line*

### Order Blank

Fill in your name and address

Name \_\_\_\_\_

Number, street, and apt. number \_\_\_\_\_

City, town or post office, state, and ZIP code \_\_\_\_\_

Circle the Forms, Instructions, and Publications You Need

The items in bold may be picked up at many post offices and libraries.

<b>1040 &amp; instructions</b>	Schedule H (1040) & instructions	<b>1040EZ</b>	2210 & instructions	8606 & instructions	Pub. 502	Pub. 550	Pub. 936
<b>Schedules A&amp;B (1040) &amp; instructions</b>	Schedule R (1040) & instructions	<b>Instructions for 1040EZ</b>	2441 & instructions	8822 & instructions	Pub. 505	Pub. 554	
Schedule C (1040) & instructions	Schedule SE (1040) & instructions	1040-ES & instructions (1998)	3903 & instructions	8829 & instructions	Pub. 508	Pub. 575	
Schedule C-EZ (1040) & instructions	<b>1040A</b>	1040-V & instructions	4562 & instructions	Pub. 1	Pub. 521	Pub. 590	
Schedule D (1040) & instructions	<b>Instructions for 1040A &amp; Schedules</b>	1040X & instructions	4868 & instructions	Pub. 17	Pub. 523	Pub. 596	
Schedule E (1040) & instructions	<b>Schedule 1 (1040A)</b>	2106 & instructions	5329 & instructions	Pub. 334	Pub. 525	Pub. 910	
<b>Schedule EIC (1040A or 1040) &amp; instructions</b>	<b>Schedule 2 (1040A)</b>	2106-EZ & instructions	8283 & instructions	Pub. 463	Pub. 527	Pub. 926	
Schedule F (1040) & instructions	Schedule 3 (1040A) & instructions	2119 & instructions	8582 & instructions	Pub. 501	Pub. 529	Pub. 929	



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## Forms

### Form 1040

**Schedule A**, Itemized Deductions

**Schedule B**, Interest and Dividend Income

**Schedule C**, Profit or Loss From Business

**Schedule C-EZ**, Net Profit From Business

**Schedule D**, Capital Gains and Losses

**Schedule E**, Supplemental Income and Loss

**Schedule EIC**, Earned Income Credit (Qualifying Child Information)

**Schedule F**, Profit or Loss From Farming

**Schedule H**, Household Employment Taxes

**Schedule R**, Credit for the Elderly or the Disabled

**Schedule SE**, Self-Employment Tax

### Form 1040A

Instructions for Form 1040A and Schedules

**Schedule 1**, Interest and Dividend Income for Form 1040A Filers

**Schedule 2**, Child and Dependent Care Expenses for Form 1040A Filers

**Schedule 3**, Credit for the Elderly or the Disabled for Form 1040A Filers

### Form 1040EZ

Instructions for Form 1040EZ

**Form 1040-ES**, Estimated Tax for Individuals

**Form 1040-V**, Payment Voucher

**Form 1040X**, Amended U.S. Individual Income Tax Return

**Form 2106**, Employee Business Expenses

**Form 2106-EZ**, Unreimbursed Employee Business Expenses

**Form 2119**, Sale of Your Home

**Form 2210**, Underpayment of Estimated Tax by Individuals, Estates, and Trusts

**Form 2441**, Child and Dependent Care Expenses

**Form 3903**, Moving Expenses

**Form 4562**, Depreciation and Amortization

**Form 4868**, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return

**Form 5329**, Additional Taxes Attributable to Qualified Retirement Plans (Including IRAs), Annuities, Modified Endowment Contracts, and MSAs

**Form 8283**, Noncash Charitable Contributions

**Form 8582**, Passive Activity Loss Limitations

**Form 8606**, Nondeductible IRAs (Contributions, Distributions, and Basis)

**Form 8822**, Change of Address

**Form 8829**, Expenses for Business Use of Your Home

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## Publications

See **Pub. 910** for a complete list of available publications.

- 1** Your Rights as a Taxpayer
- 17** Your Federal Income Tax
- 334** Tax Guide for Small Business
- 463** Travel, Entertainment, Gift, and Car Expenses
- 501** Exemptions, Standard Deduction, and Filing Information
- 502** Medical and Dental Expenses
- 505** Tax Withholding and Estimated Tax
- 508** Educational Expenses
- 521** Moving Expenses
- 523** Selling Your Home
- 525** Taxable and Nontaxable Income
- 527** Residential Rental Property (Including Rental of Vacation Homes)
- 529** Miscellaneous Deductions
- 550** Investment Income and Expenses
- 554** Older Americans' Tax Guide
- 575** Pension and Annuity Income
- 590** Individual Retirement Arrangements (IRAs)
- 596** Earned Income Credit
- 910** Guide to Free Tax Services
- 926** Household Employer's Tax Guide
- 929** Tax Rules for Children and Dependents
- 936** Home Mortgage Interest Deduction



# Calling the IRS

If you cannot answer your question by using one of the methods listed on page 4, please call us for assistance. You will not be charged for the call unless your phone company charges you for local calls. This service is available Monday through Saturday from 7:00 a.m. to 11:00 p.m. (in Alaska from 6:00 a.m. to 10:00 p.m. and in Hawaii from 5:00 a.m. to 9:00 p.m.).



If you want to check on the status of your **1997 refund**, call **TeleTax**. See page 34 for the number.

## Before You Call

IRS representatives care about the quality of the service we provide to you, our customer. You can help us provide accurate, complete answers to your questions by having the following information available.

1. The tax form, schedule, or notice to which your question relates.
2. The facts about your particular situation. The answer to the same question often varies from one taxpayer to another because of differences in their age, income, whether they can be claimed as a dependent, etc.
3. The name of any IRS publication or other source of information that you used to look for the answer.

## Making the Call

Find the correct number on the chart on the right. If you have a pulse or rotary dial phone, stay on the line and one of our assisters will answer your call.

If you have a touch-tone phone, press **1** to enter our automated system. Selecting the correct topic helps us serve you faster and more efficiently. The system allows you to order tax forms and publications and to select from the following topics. You can press the number for your topic as soon as you hear it.

- Questions about a notice, letter, or bill you received.
- Questions about your refund, a tax return you filed, or your tax records.
- Questions about your taxes, or about preparing a return.
- Questions about business or employment taxes.

## Before You Hang Up

If you do not fully understand the answer you receive, or you feel our representative may not fully understand your question, our representative needs to know this. The representative will be happy to take the additional time required to be sure he or she has answered your question fully so that it is most helpful to you.

By law, you are responsible for paying your share of Federal income tax. If we should make an error in answering your question, you are still responsible for the payment of the correct tax. Should this occur, however, you will not be charged any penalty. To make sure that IRS representatives give accurate and courteous answers, a second IRS representative sometimes listens in on telephone calls. No record is kept of any taxpayer's identity.



### Choosing the Right Number for Tax Help

- If a number is listed below that is a local call for you, please use that number.
- If a number is not listed below for your local calling area, please call **1-800-829-1040**.

**California**  
Oakland, 510-839-1040

**Colorado**  
Denver, 303-825-7041

**Florida**  
Jacksonville, 904-354-1760

**Georgia**  
Atlanta, 404-522-0050

**Maryland**  
Baltimore, 410-962-2590

**Massachusetts**  
Boston, 617-536-1040

**Missouri**  
St. Louis, 314-342-1040

**New York**  
Buffalo, 716-685-5432

**Ohio**  
Cincinnati, 513-621-6281  
Cleveland, 216-522-3000

**Oregon**  
Portland, 503-221-3960

**Pennsylvania**  
Philadelphia, 215-574-9900  
Pittsburgh, 412-281-0112

**Puerto Rico**  
San Juan Metro Area,  
787-759-5100

**Texas**  
Dallas, 214-742-2440  
Houston, 713-541-0440

**Virginia**  
Richmond, 804-698-5000

**Washington**  
Seattle, 206-442-1040

#### TTY/TDD Help

All areas in U.S., including Alaska, Hawaii, Virgin Islands, and Puerto Rico: 1-800-829-4059

**Note:** This number is answered by TTY/TDD equipment only.

#### Hours of TTY/TDD Operation

7:30 a.m. to 6:30 p.m. EST (Jan. 1–April 4)

8:30 a.m. to 7:30 p.m. EDT (April 5–April 15)

8:30 a.m. to 6:30 p.m. EDT (April 16–Oct. 24)

7:30 a.m. to 5:30 p.m. EST (Oct. 25–Dec. 31)

# What Is TeleTax?

TeleTax allows you to get:

**Refund Information.** Check the status of your 1997 refund.

**Recorded Tax Information.** There are about 150 topics that answer many Federal tax questions. You can listen to up to three topics on each call you make.

## How Do I Use TeleTax?

### Refund Information

**Note:** Refund information is not available until at least 4 weeks after you file your return (3 weeks if you file electronically), and sometimes is not available for up to 6 weeks. Please wait at least 4 weeks before calling to check on the status of your refund. If it has been more than 6 weeks and TeleTax does not give you a refund issuance date, please call us. See page 33.

Be sure to have a copy of your 1997 tax return available because you will need to know the first social security number shown on your return, the filing status, and the exact whole-dollar amount of your refund. Then, call the appropriate phone number listed on this page and follow the recorded instructions.



The IRS updates refund information every 7 days, usually over the weekend. If you call to check the status of your refund and are not given the date it will be issued, please wait until the next week before calling back.

Touch-tone service is generally available Monday through Friday from 7:00 a.m. to 11:30 p.m. Rotary or pulse service is generally available Monday through Friday from 7:30 a.m. to 5:30 p.m. (Hours may vary in your area.)



### Choosing the Right Number for TeleTax

- If a number is listed below that is a local call for you, please use that number.
- If a number is not listed below for your local calling area, please call **1-800-829-4477**.

**California**  
Oakland, 510-839-4245

**Colorado**  
Denver, 303-592-1118

**District of Columbia**  
202-628-2929

**Florida**  
Jacksonville, 904-355-2000

**Georgia**  
Atlanta, 404-331-6572

**Illinois**  
Chicago, 312-886-9614

**Indiana**  
Indianapolis, 317-377-0001

**Maryland**  
Baltimore, 410-244-7306

**Massachusetts**  
Boston, 617-536-0709

**Missouri**  
St. Louis, 314-241-4700

**New York**  
Buffalo, 716-685-5533

**Ohio**  
Cincinnati, 513-421-0329  
Cleveland, 216-522-3037

**Oregon**  
Portland, 503-294-5363

**Pennsylvania**  
Philadelphia, 215-627-1040  
Pittsburgh, 412-261-1040

**Tennessee**  
Nashville, 615-781-5040

**Texas**  
Dallas, 214-767-1792  
Houston, 713-541-3400

**Virginia**  
Richmond, 804-783-1569

**Washington**  
Seattle, 206-343-7221

### Recorded Tax Information

Touch-tone service is available 24 hours a day, 7 days a week. Rotary or pulse service is generally available Monday through Friday from 7:30 a.m. to 5:30 p.m. (Hours in Alaska and Hawaii may vary.)

Select the number of the topic you want to hear. Then, call the appropriate phone number listed on this page. Have paper and pencil handy to take notes.

### Topics by Fax or Personal Computer

TeleTax topics are also available using a fax machine (call **703-368-9694** from the telephone connected to the fax machine) or a personal computer and modem (connect to [www.irs.ustreas.gov](http://www.irs.ustreas.gov)).

## TeleTax Topics

Topic No.	Subject
<b>IRS Help Available</b>	
101	IRS services—Volunteer tax assistance, toll-free telephone, walk-in assistance, and outreach programs
102	Tax assistance for individuals with disabilities and the hearing impaired
103	Small Business Tax Education Program (STEP)—Tax help for small businesses
104	Problem Resolution Program—Help for problem situations
105	Public libraries—Tax information tapes and reproducible tax forms
<b>IRS Procedures</b>	
151	Your appeal rights
152	Refunds—How long they should take

Topic No.	Subject
153	What to do if you haven't filed your tax return (Nonfilers)
154	Form W-2—What to do if not received
155	Forms and Publications—How to order
156	Copy of your tax return—How to get one
157	Change of address—How to notify the IRS
911	Hardship assistance applications
<b>Collection</b>	
201	The collection process
202	What to do if you can't pay your tax
203	Failure to pay child support and other Federal obligations
204	Offers in compromise
<b>Alternative Filing Methods</b>	
251	Form 1040PC tax return
252	Electronic filing

Topic No.	Subject
253	Substitute tax forms
254	How to choose a tax preparer
255	TeleFile
<b>General Information</b>	
301	When, where, and how to file
302	Highlights of tax changes
303	Checklist of common errors when preparing your tax return
304	Extensions of time to file your tax return
305	Recordkeeping
306	Penalty for underpayment of estimated tax
307	Backup withholding
308	Amended returns
309	Tax fraud—How to report
310	Power of attorney information
999	Local information

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# TeleTax Topics

(Continued)

Topic No.	Subject
	<b>Filing Requirements, Filing Status, and Exemptions</b>
351	Who must file?
352	Which form—1040, 1040A, or 1040EZ?
353	What is your filing status?
354	Dependents
355	Estimated tax
356	Decedents
	<b>Types of Income</b>
401	Wages and salaries
402	Tips
403	Interest received
404	Dividends
405	Refunds of state and local taxes
406	Alimony received
407	Business income
408	Sole proprietorship
409	Capital gains and losses
410	Pensions and annuities
411	Pensions—The general rule and the simplified general rule
412	Lump-sum distributions
413	Rollovers from retirement plans
414	Rental income and expenses
415	Renting vacation property and renting to relatives
416	Farming and fishing income
417	Earnings for clergy
418	Unemployment compensation
419	Gambling income and expenses
420	Bartering income
421	Scholarship and fellowship grants
422	Nontaxable income
423	Social security and equivalent railroad retirement benefits
424	401(k) plans
425	Passive activities—Losses and credits
	<b>Adjustments to Income</b>
451	Individual retirement arrangements (IRAs)
452	Alimony paid
453	Bad debt deduction
454	Tax shelters
455	Moving expenses
	<b>Itemized Deductions</b>
501	Should I itemize?
502	Medical and dental expenses
503	Deductible taxes
504	Home mortgage points
505	Interest expense
506	Contributions
507	Casualty losses
508	Miscellaneous expenses
509	Business use of home
510	Business use of car
511	Business travel expenses

Topic No.	Subject
512	Business entertainment expenses
513	Educational expenses
514	Employee business expenses
515	Disaster area losses
	<b>Tax Computation</b>
551	Standard deduction
552	Tax and credits figured by the IRS
553	Tax on a child's investment income
554	Self-employment tax
555	Five- or ten-year tax options for lump-sum distributions
556	Alternative minimum tax
	<b>Tax Credits</b>
601	Earned income credit (EIC)
602	Child and dependent care credit
603	Credit for the elderly or the disabled
604	Advance earned income credit
	<b>IRS Notices and Letters</b>
651	Notices—What to do
652	Notice of underreported income—CP 2000
653	IRS notices and bills and penalty and interest charges
654	Notice of change to return
655	We changed your account
656	CP11—Notice of change to return
657	We corrected your return—Amount due IRS
658	We changed your account (Refund)
659	CP12—We changed your return—You are due a refund
660	CP22A—We changed your account
	<b>Basis of Assets, Depreciation, and Sale of Assets</b>
701	Sale of your home—General
702	Sale of your home—How to report gain
703	Sale of your home—Exclusion of gain, age 55 and over
704	Basis of assets
705	Depreciation
706	Installment sales
	<b>Employer Tax Information</b>
751	Social security and Medicare withholding rates
752	Form W-2—Where, when, and how to file
753	Form W-4—Employee's Withholding Allowance Certificate
754	Form W-5—Advance earned income credit
755	Employer identification number (EIN)—How to apply
756	Employment taxes for household employees
757	Form 941—Deposit requirements
758	Form 941—Employer's Quarterly Federal Tax Return
759	Form 940/940-EZ—Deposit requirements

Topic No.	Subject
760	Form 940/940-EZ—Employer's Annual Federal Unemployment Tax Return
761	Form 945—Annual Return of Withheld Federal Income Tax
762	Tips—Withholding and reporting
	<b>Magnetic Media Filers—1099 Series and Related Information Returns</b> (For electronic filing of individual returns, use topic 252.)
801	Who must file magnetically
802	Applications, forms, and information
803	Waivers and extensions
804	Test files and combined Federal and state filing
805	Electronic filing of information returns
	<b>Tax Information for Aliens and U.S. Citizens Living Abroad</b>
851	Resident and nonresident aliens
852	Dual-status alien
853	Foreign earned income exclusion—General
854	Foreign earned income exclusion—Who qualifies?
855	Foreign earned income exclusion—What qualifies?
856	Foreign tax credit
	<b>Tax Information for Puerto Rico Residents (in Spanish)</b>
901	Who must file a U.S. income tax return in Puerto Rico
902	Deductions and credits for Puerto Rico filers
903	Federal employment taxes in Puerto Rico
904	Tax assistance for Puerto Rico residents
	<b>Other Topics in Spanish</b>
951	IRS services—Volunteer tax assistance, toll-free telephone, walk-in assistance, and outreach programs
952	Refunds—How long they should take
953	Forms and publications—How to order
954	Highlights of tax changes
955	Who must file?
956	Which form to use?
957	What is your filing status?
958	Social security and equivalent railroad retirement benefits
959	Earned income credit (EIC)
960	Advance earned income credit
961	Alien tax clearance

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**Topic numbers are effective January 1, 1998.**

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# Forms by Fax

The following forms and instructions are available by fax by calling **703-368-9694** from the telephone connected to the fax machine. When you call, you will hear instructions on how to use the system. Select the option for getting forms. Then, enter the **Fax Order No.** shown below for each item you want. When you hang up the phone, the fax will begin.

Name of Form or Instructions	Title of Form or Instructions	Fax Order No.	No. of Pages	Name of Form or Instructions	Title of Form or Instructions	Fax Order No.	No. of Pages
Form SS-4	Application for Employer Identification Number	16055	4	Tax Table and Tax Rate Sch.	Tax Table and Tax Rate Schedules (Form 1040)	24327	13
Form SS-8	Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding	16106	4	Schedules A&B (Form 1040) Instr. Sch. A&B	Itemized Deductions & Interest and Dividend Income	11330	2
Form W-2c	Corrected Wage and Tax Statement	61437	8	Schedule C (Form 1040) Instr. Sch. C	Profit or Loss From Business (Sole Proprietorship)	11334	2
Form W-3c	Transmittal of Corrected Wage and Tax Statements	10164	4	Schedule C-EZ (Form 1040)	Net Profit From Business (Sole Proprietorship)	14374	2
Form W-4	Employee's Withholding Allowance Certificate	10220	2	Schedule D (Form 1040) Instr. Sch. D	Capital Gains and Losses	11338	2
Form W-4P	Withholding Certificate for Pension or Annuity Payments	10225	3	Schedule D-1 (Form 1040)	Continuation Sheet for Schedule D	10424	2
Form W-5	Earned Income Credit Advance Payment Certificate	10227	2	Schedule E (Form 1040) Instr. Sch. E	Supplemental Income and Loss	11344	2
Form W-7	Application for IRS Individual Taxpayer Identification Number	10229	3	Schedule EIC (Form 1040A or 1040)	Earned Income Credit	13339	2
Form W-7A	Application for Taxpayer Identification Number for Pending U.S. Adoptions	24309	2	Schedule F (Form 1040) Instr. Sch. F	Profit or Loss From Farming	11346	2
Form W-9	Request for Taxpayer Identification Number and Certification	10231	2	Schedule H (Form 1040) Instr. Sch. H	Household Employment Taxes	12187	2
Instr. W-9		20479	2	Schedule R (Form 1040) Instr. Sch. R	Credit for the Elderly or the Disabled	11359	2
Form W-10	Dependent Care Provider's Identification and Certification	10437	1	Schedule SE (Form 1040) Instr. Sch. SE	Self-Employment Tax	11358	2
Form 709	U.S. Gift (and Generation-Skipping Transfer) Tax Return	16783	4	Form 1040A	U.S. Individual Income Tax Return	11327	2
Instr. 709		16784	8	Schedule 1 (Form 1040A)	Interest and Dividend Income for Form 1040A Filers	12075	1
Form 709A	U.S. Short Form Gift Tax Return	10171	2	Schedule 2 (Form 1040A)	Child and Dependent Care Expenses for Form 1040A Filers	10749	2
Form 843	Claim for Refund and Request for Abatement	10180	1	Schedule 3 (Form 1040A) Instr. Sch. 3	Credit for the Elderly or the Disabled for Form 1040A Filers	12064	2
Form 940	Employer's Annual Federal Unemployment (FUTA) Tax Return	11234	4	Form 1040-ES	Estimated Tax for Individuals	11340	6
Instr. 940		13660	4	Form 1040EZ	Income Tax Return for Single and Joint Filers With No Dependents	11329	2
Form 940-EZ	Employer's Annual Federal Unemployment (FUTA) Tax Return	10983	4	Form 1040NR	U.S. Nonresident Alien Income Tax Return	11364	5
Form 941c	Supporting Statement To Correct Information	11242	4	Form 1040NR-EZ	U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents	21534	2
Form 990	Return of Organization Exempt From Income Tax	11282	6	Instr. 1040NR-EZ		21718	12
Instr. 990	General Instructions for Forms 990 and 990-EZ	22386	8	Form 1040X	Amended U.S. Individual Income Tax Return	11360	2
Instr. 990	Specific Instructions for Form 990	50002	16	Instr. 1040X		11362	6
Schedule A (Form 990) Instr. Sch. A	Organization Exempt Under Section 501(c)(3)	11285	6				
Form 990EZ	Short Form Return of Organization Exempt From Income Tax	10642	2				
Instr. 990EZ	Specific Instructions for Form 990-EZ	50003	8				
Form 1040	U.S. Individual Income Tax Return	11320	2				
Instr. 1040	Line Instructions for Form 1040	11325	19				
Instr. 1040	General Information for Form 1040	24811	16				

Name of Form or Instructions	Title of Form or Instructions	Fax Order No.	No. of Pages	Name of Form or Instructions	Title of Form or Instructions	Fax Order No.	No. of Pages
Form 1116	Foreign Tax Credit	11440	2	Form 6198	At-Risk Limitations	50012	1
Instr. 1116		11441	9	Instr. 6198		50013	7
Form 1310	Statement of Person Claiming Refund Due a Deceased Taxpayer	11566	2	Form 6251	Alternative Minimum Tax—Individuals	13600	2
Form 2106	Employee Business Expenses	11700	2	Instr. 6251		64277	8
Instr. 2106		64188	4	Form 6252	Installment Sale Income	13601	1
Form 2106-EZ	Unreimbursed Employee Business Expenses	20604	2	Instr. 6252		64262	2
Form 2119	Sale of Your Home	11710	2	Form 6781	Gains and Losses From Section 1256 Contracts and Straddles	13715	3
Instr. 2119		18038	5	Form 8271	Investor Reporting of Tax Shelter Registration Number	61924	2
Form 2120	Multiple Support Declaration	11712	2	Form 8283	Noncash Charitable Contributions	62299	2
Form 2210	Underpayment of Estimated Tax by Individuals, Estates, and Trusts	11744	3	Instr. 8283		62730	4
Instr. 2210		63610	5	Form 8300	Report of Cash Payments Over \$10,000 Received in a Trade or Business	62133	4
Form 2290	Heavy Vehicle Use Tax Return	11250	10	Form 8332	Release of Claim to Exemption for Child of Divorced or Separated Parents	13910	1
Form 2441	Child and Dependent Care Expenses	11862	2	Form 8379	Injured Spouse Claim and Allocation	62474	2
Instr. 2441		10842	3	Form 8582	Passive Activity Loss Limitations	63704	3
Form 2553	Election by a Small Business Corporation	18629	2	Instr. 8582		64294	12
Instr. 2553		49978	2	Form 8586	Low-Income Housing Credit	63987	2
Form 2555	Foreign Earned Income	11900	3	Form 8606	Nondeductible IRAs (Contributions, Distributions, and Basis)	63966	2
Instr. 2555		11901	4	Form 8615	Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,300	64113	2
Form 2555-EZ	Foreign Earned Income Exclusion	13272	2	Form 8718	User Fee for Exempt Organization Determination Letter Request	64728	1
Instr. 2555-EZ		14623	3	Form 8801	Credit for Prior Year Minimum Tax—Individuals, Estates, and Trusts	10002	2
Form 2688	Application for Additional Extension of Time To File U.S. Individual Income Tax Return	11958	2	Form 8809	Request for Extension of Time To File Information Returns	10322	2
Form 2848	Power of Attorney and Declaration of Representative	11980	2	Form 8814	Parents' Election To Report Child's Interest and Dividends	10750	2
Instr. 2848		11981	3	Form 8815	Exclusion of Interest From Series EE U.S. Savings Bonds Issued After 1989	10822	2
Form 3903	Moving Expenses	12490	2	Form 8822	Change of Address	12081	2
Form 4136	Credit for Federal Tax Paid on Fuels	12625	4	Form 8824	Like-Kind Exchanges	12311	2
Form 4137	Social Security and Medicare Tax on Unreported Tip Income	12626	2	Instr. 8824		12597	2
Form 4506	Request for Copy or Transcript of Tax Form	41721	2	Form 8829	Expenses for Business Use of Your Home	13232	1
Form 4562	Depreciation and Amortization	12906	2	Instr. 8829		15683	3
Instr. 4562		12907	12	Form 8839	Qualified Adoption Expenses	22843	2
Form 4684	Casualties and Thefts	12997	2	Instr. 8839		23077	4
Instr. 4684		12998	4	Form 8850	Pre-Screening Notice and Certification Request for the Work Opportunity Credit and Welfare-to-Work Credits	22851	2
Form 4797	Sales of Business Property	13086	2	Instr. 8850		24833	2
Instr. 4797		13087	4	Form 8853	Medical Savings Accounts and Long-Term Care Insurance Contracts	24091	2
Form 4835	Farm Rental Income and Expenses	13117	2	Instr. 8853		24188	8
Form 4868	Application for Automatic Extension of Time To File U.S. Individual Income Tax Return	13141	4	Form 8859	District of Columbia First-Time Homebuyer Credit	24479	2
Form 4952	Investment Interest Expense Deduction	13177	2	Form 9465	Installment Agreement Request	14842	2
Form 4972	Tax on Lump-Sum Distributions	13187	2				
Instr. 4972		13188	4				
Form 5329	Additional Taxes Attributable to Qualified Retirement Plans (Including IRAs), Annuities, Modified Endowment Contracts, and MSAs	13329	2				
Instr. 5329		13330	4				

## 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 first tell you our legal right to ask for the information, why we are asking for it, and how it will be used. We must also tell you 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.

This notice applies to all papers you file with us, including this tax return. It also applies to 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 other 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.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to

a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

We ask for tax return information to carry out the tax 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, you may be charged penalties and 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.

### The Time It Takes To Prepare Your Return

We try to create forms and instructions that can be easily understood. Often this is difficult to do because our tax laws are very complex. For some people with income mostly from wages, filling in the forms is easy. For others who have businesses, pensions, stocks, rental income, or other investments, it is more difficult.

### We Welcome Comments on Forms

If you have comments concerning the accuracy of the time estimates shown below or suggestions for making these forms simpler, we would be happy to hear from you. You can e-mail us your suggestions and comments through the IRS Internet Home Page ([www.irs.ustreas.gov](http://www.irs.ustreas.gov)) or write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001.

**DO NOT** send your return to this address. Instead, see the back cover.

### Estimated Preparation Time

The time needed to complete and file Form 1040 and its schedules will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to the IRS	Totals
Form 1040	3 hr., 8 min.	2 hr., 7 min.	3 hr., 59 min.	40 min.	9 hr., 54 min.
Sch. A	2 hr., 32 min.	26 min.	1 hr., 10 min.	27 min.	4 hr., 35 min.
Sch. B	33 min.	8 min.	17 min.	20 min.	1 hr., 18 min.
Sch. C	6 hr., 26 min.	1 hr., 10 min.	2 hr., 6 min.	35 min.	10 hr., 17 min.
Sch. C-EZ	46 min.	4 min.	32 min.	20 min.	1 hr., 42 min.
Sch. D	51 min.	1 hr., 29 min.	1 hr., 18 min.	41 min.	4 hr., 19 min.
Sch. D-1	13 min.	1 min.	13 min.	35 min.	1 hr., 2 min.
Sch. E	2 hr., 52 min.	1 hr., 7 min.	1 hr., 16 min.	35 min.	5 hr., 50 min.
Sch. EIC	- - - -	2 min.	4 min.	20 min.	26 min.
Sch. F:					
Cash Method	4 hr., 2 min.	36 min.	1 hr., 14 min.	20 min.	6 hr., 12 min.
Accrual Method	4 hr., 22 min.	25 min.	1 hr., 19 min.	20 min.	6 hr., 26 min.
Sch. H	46 min.	30 min.	48 min.	35 min.	2 hr., 39 min.
Sch. R	20 min.	15 min.	22 min.	35 min.	1 hr., 32 min.
Sch. SE:					
Short	20 min.	13 min.	11 min.	14 min.	58 min.
Long	26 min.	22 min.	34 min.	20 min.	1 hr., 42 min.

# 1997 Tax Table

Use if your taxable income is less than \$100,000.  
If \$100,000 or more, use the Tax Rate Schedules.

**Example.** Mr. and Mrs. Brown are filing a joint return. Their taxable income on line 38 of Form 1040 is \$25,300. 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 \$3,799. This is the tax amount they should enter on line 39 of their Form 1040.

## Sample Table

At least	But less than	Single	Married filing jointly*	Married filing separately	Head of a household
<b>Your tax is—</b>					
25,200	25,250	3,859	3,784	4,385	3,784
25,250	25,300	3,873	3,791	4,399	3,791
25,300	25,350	3,887	<b>3,799</b>	4,413	3,799
25,350	25,400	3,901	3,806	4,427	3,806

If line 38 (taxable income) is—		And you are—				If line 38 (taxable income) is—		And you are—				If line 38 (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
		<b>Your tax is—</b>				<b>Your tax is—</b>				<b>Your tax is—</b>							
\$0	\$5	\$0	\$0	\$0	\$0	1,300	1,325	197	197	197	197	2,700	2,725	407	407	407	407
5	15	2	2	2	2	1,325	1,350	201	201	201	201	2,725	2,750	411	411	411	411
15	25	3	3	3	3	1,350	1,375	204	204	204	204	2,750	2,775	414	414	414	414
25	50	6	6	6	6	1,375	1,400	208	208	208	208	2,775	2,800	418	418	418	418
50	75	9	9	9	9	1,400	1,425	212	212	212	212	2,800	2,825	422	422	422	422
75	100	13	13	13	13	1,425	1,450	216	216	216	216	2,825	2,850	426	426	426	426
100	125	17	17	17	17	1,450	1,475	219	219	219	219	2,850	2,875	429	429	429	429
125	150	21	21	21	21	1,475	1,500	223	223	223	223	2,875	2,900	433	433	433	433
150	175	24	24	24	24	1,500	1,525	227	227	227	227	2,900	2,925	437	437	437	437
175	200	28	28	28	28	1,525	1,550	231	231	231	231	2,925	2,950	441	441	441	441
200	225	32	32	32	32	1,550	1,575	234	234	234	234	2,950	2,975	444	444	444	444
225	250	36	36	36	36	1,575	1,600	238	238	238	238	2,975	3,000	448	448	448	448
250	275	39	39	39	39	1,600	1,625	242	242	242	242	<b>3,000</b>					
275	300	43	43	43	43	1,625	1,650	246	246	246	246	3,000	3,050	454	454	454	454
300	325	47	47	47	47	1,650	1,675	249	249	249	249	3,050	3,100	461	461	461	461
325	350	51	51	51	51	1,675	1,700	253	253	253	253	3,100	3,150	469	469	469	469
350	375	54	54	54	54	1,700	1,725	257	257	257	257	3,150	3,200	476	476	476	476
375	400	58	58	58	58	1,725	1,750	261	261	261	261	3,200	3,250	484	484	484	484
400	425	62	62	62	62	1,750	1,775	264	264	264	264	3,250	3,300	491	491	491	491
425	450	66	66	66	66	1,775	1,800	268	268	268	268	3,300	3,350	499	499	499	499
450	475	69	69	69	69	1,800	1,825	272	272	272	272	3,350	3,400	506	506	506	506
475	500	73	73	73	73	1,825	1,850	276	276	276	276	3,400	3,450	514	514	514	514
500	525	77	77	77	77	1,850	1,875	279	279	279	279	3,450	3,500	521	521	521	521
525	550	81	81	81	81	1,875	1,900	283	283	283	283	3,500	3,550	529	529	529	529
550	575	84	84	84	84	1,900	1,925	287	287	287	287	3,550	3,600	536	536	536	536
575	600	88	88	88	88	1,925	1,950	291	291	291	291	3,600	3,650	544	544	544	544
600	625	92	92	92	92	1,950	1,975	294	294	294	294	3,650	3,700	551	551	551	551
625	650	96	96	96	96	1,975	2,000	298	298	298	298	3,700	3,750	559	559	559	559
650	675	99	99	99	99	<b>2,000</b>						3,750	3,800	566	566	566	566
675	700	103	103	103	103	2,000	2,025	302	302	302	302	3,800	3,850	574	574	574	574
700	725	107	107	107	107	2,025	2,050	306	306	306	306	3,850	3,900	581	581	581	581
725	750	111	111	111	111	2,050	2,075	309	309	309	309	3,900	3,950	589	589	589	589
750	775	114	114	114	114	2,075	2,100	313	313	313	313	3,950	4,000	596	596	596	596
775	800	118	118	118	118	2,100	2,125	317	317	317	317	<b>4,000</b>					
800	825	122	122	122	122	2,125	2,150	321	321	321	321	4,000	4,050	604	604	604	604
825	850	126	126	126	126	2,150	2,175	324	324	324	324	4,050	4,100	611	611	611	611
850	875	129	129	129	129	2,175	2,200	328	328	328	328	4,100	4,150	619	619	619	619
875	900	133	133	133	133	2,200	2,225	332	332	332	332	4,150	4,200	626	626	626	626
900	925	137	137	137	137	2,225	2,250	336	336	336	336	4,200	4,250	634	634	634	634
925	950	141	141	141	141	2,250	2,275	339	339	339	339	4,250	4,300	641	641	641	641
950	975	144	144	144	144	2,275	2,300	343	343	343	343	4,300	4,350	649	649	649	649
975	1,000	148	148	148	148	2,300	2,325	347	347	347	347	4,350	4,400	656	656	656	656
<b>1,000</b>						2,325	2,350	351	351	351	351	4,400	4,450	664	664	664	664
1,000	1,025	152	152	152	152	2,350	2,375	354	354	354	354	4,450	4,500	671	671	671	671
1,025	1,050	156	156	156	156	2,375	2,400	358	358	358	358	4,500	4,550	679	679	679	679
1,050	1,075	159	159	159	159	2,400	2,425	362	362	362	362	4,550	4,600	686	686	686	686
1,075	1,100	163	163	163	163	2,425	2,450	366	366	366	366	4,600	4,650	694	694	694	694
1,100	1,125	167	167	167	167	2,450	2,475	369	369	369	369	4,650	4,700	701	701	701	701
1,125	1,150	171	171	171	171	2,475	2,500	373	373	373	373	4,700	4,750	709	709	709	709
1,150	1,175	174	174	174	174	2,500	2,525	377	377	377	377	4,750	4,800	716	716	716	716
1,175	1,200	178	178	178	178	2,525	2,550	381	381	381	381	4,800	4,850	724	724	724	724
1,200	1,225	182	182	182	182	2,550	2,575	384	384	384	384	4,850	4,900	731	731	731	731
1,225	1,250	186	186	186	186	2,575	2,600	388	388	388	388	4,900	4,950	739	739	739	739
1,250	1,275	189	189	189	189	2,600	2,625	392	392	392	392	4,950	5,000	746	746	746	746
1,275	1,300	193	193	193	193	2,625	2,650	396	396	396	396	<b>Continued on next page</b>					
						2,650	2,675	399	399	399	399						
						2,675	2,700	403	403	403	403						

\* This column must also be used by a qualifying widow(er).

1997 Tax Table—Continued

If line 38 (taxable income) is—		And you are—				If line 38 (taxable income) is—		And you are—				If line 38 (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—			
<b>5,000</b>						<b>8,000</b>						<b>11,000</b>					
5,000	5,050	754	754	754	754	8,000	8,050	1,204	1,204	1,204	1,204	11,000	11,050	1,654	1,654	1,654	1,654
5,050	5,100	761	761	761	761	8,050	8,100	1,211	1,211	1,211	1,211	11,050	11,100	1,661	1,661	1,661	1,661
5,100	5,150	769	769	769	769	8,100	8,150	1,219	1,219	1,219	1,219	11,100	11,150	1,669	1,669	1,669	1,669
5,150	5,200	776	776	776	776	8,150	8,200	1,226	1,226	1,226	1,226	11,150	11,200	1,676	1,676	1,676	1,676
5,200	5,250	784	784	784	784	8,200	8,250	1,234	1,234	1,234	1,234	11,200	11,250	1,684	1,684	1,684	1,684
5,250	5,300	791	791	791	791	8,250	8,300	1,241	1,241	1,241	1,241	11,250	11,300	1,691	1,691	1,691	1,691
5,300	5,350	799	799	799	799	8,300	8,350	1,249	1,249	1,249	1,249	11,300	11,350	1,699	1,699	1,699	1,699
5,350	5,400	806	806	806	806	8,350	8,400	1,256	1,256	1,256	1,256	11,350	11,400	1,706	1,706	1,706	1,706
5,400	5,450	814	814	814	814	8,400	8,450	1,264	1,264	1,264	1,264	11,400	11,450	1,714	1,714	1,714	1,714
5,450	5,500	821	821	821	821	8,450	8,500	1,271	1,271	1,271	1,271	11,450	11,500	1,721	1,721	1,721	1,721
5,500	5,550	829	829	829	829	8,500	8,550	1,279	1,279	1,279	1,279	11,500	11,550	1,729	1,729	1,729	1,729
5,550	5,600	836	836	836	836	8,550	8,600	1,286	1,286	1,286	1,286	11,550	11,600	1,736	1,736	1,736	1,736
5,600	5,650	844	844	844	844	8,600	8,650	1,294	1,294	1,294	1,294	11,600	11,650	1,744	1,744	1,744	1,744
5,650	5,700	851	851	851	851	8,650	8,700	1,301	1,301	1,301	1,301	11,650	11,700	1,751	1,751	1,751	1,751
5,700	5,750	859	859	859	859	8,700	8,750	1,309	1,309	1,309	1,309	11,700	11,750	1,759	1,759	1,759	1,759
5,750	5,800	866	866	866	866	8,750	8,800	1,316	1,316	1,316	1,316	11,750	11,800	1,766	1,766	1,766	1,766
5,800	5,850	874	874	874	874	8,800	8,850	1,324	1,324	1,324	1,324	11,800	11,850	1,774	1,774	1,774	1,774
5,850	5,900	881	881	881	881	8,850	8,900	1,331	1,331	1,331	1,331	11,850	11,900	1,781	1,781	1,781	1,781
5,900	5,950	889	889	889	889	8,900	8,950	1,339	1,339	1,339	1,339	11,900	11,950	1,789	1,789	1,789	1,789
5,950	6,000	896	896	896	896	8,950	9,000	1,346	1,346	1,346	1,346	11,950	12,000	1,796	1,796	1,796	1,796
<b>6,000</b>						<b>9,000</b>						<b>12,000</b>					
6,000	6,050	904	904	904	904	9,000	9,050	1,354	1,354	1,354	1,354	12,000	12,050	1,804	1,804	1,804	1,804
6,050	6,100	911	911	911	911	9,050	9,100	1,361	1,361	1,361	1,361	12,050	12,100	1,811	1,811	1,811	1,811
6,100	6,150	919	919	919	919	9,100	9,150	1,369	1,369	1,369	1,369	12,100	12,150	1,819	1,819	1,819	1,819
6,150	6,200	926	926	926	926	9,150	9,200	1,376	1,376	1,376	1,376	12,150	12,200	1,826	1,826	1,826	1,826
6,200	6,250	934	934	934	934	9,200	9,250	1,384	1,384	1,384	1,384	12,200	12,250	1,834	1,834	1,834	1,834
6,250	6,300	941	941	941	941	9,250	9,300	1,391	1,391	1,391	1,391	12,250	12,300	1,841	1,841	1,841	1,841
6,300	6,350	949	949	949	949	9,300	9,350	1,399	1,399	1,399	1,399	12,300	12,350	1,849	1,849	1,849	1,849
6,350	6,400	956	956	956	956	9,350	9,400	1,406	1,406	1,406	1,406	12,350	12,400	1,856	1,856	1,856	1,856
6,400	6,450	964	964	964	964	9,400	9,450	1,414	1,414	1,414	1,414	12,400	12,450	1,864	1,864	1,864	1,864
6,450	6,500	971	971	971	971	9,450	9,500	1,421	1,421	1,421	1,421	12,450	12,500	1,871	1,871	1,871	1,871
6,500	6,550	979	979	979	979	9,500	9,550	1,429	1,429	1,429	1,429	12,500	12,550	1,879	1,879	1,879	1,879
6,550	6,600	986	986	986	986	9,550	9,600	1,436	1,436	1,436	1,436	12,550	12,600	1,886	1,886	1,886	1,886
6,600	6,650	994	994	994	994	9,600	9,650	1,444	1,444	1,444	1,444	12,600	12,650	1,894	1,894	1,894	1,894
6,650	6,700	1,001	1,001	1,001	1,001	9,650	9,700	1,451	1,451	1,451	1,451	12,650	12,700	1,901	1,901	1,901	1,901
6,700	6,750	1,009	1,009	1,009	1,009	9,700	9,750	1,459	1,459	1,459	1,459	12,700	12,750	1,909	1,909	1,909	1,909
6,750	6,800	1,016	1,016	1,016	1,016	9,750	9,800	1,466	1,466	1,466	1,466	12,750	12,800	1,916	1,916	1,916	1,916
6,800	6,850	1,024	1,024	1,024	1,024	9,800	9,850	1,474	1,474	1,474	1,474	12,800	12,850	1,924	1,924	1,924	1,924
6,850	6,900	1,031	1,031	1,031	1,031	9,850	9,900	1,481	1,481	1,481	1,481	12,850	12,900	1,931	1,931	1,931	1,931
6,900	6,950	1,039	1,039	1,039	1,039	9,900	9,950	1,489	1,489	1,489	1,489	12,900	12,950	1,939	1,939	1,939	1,939
6,950	7,000	1,046	1,046	1,046	1,046	9,950	10,000	1,496	1,496	1,496	1,496	12,950	13,000	1,946	1,946	1,946	1,946
<b>7,000</b>						<b>10,000</b>						<b>13,000</b>					
7,000	7,050	1,054	1,054	1,054	1,054	10,000	10,050	1,504	1,504	1,504	1,504	13,000	13,050	1,954	1,954	1,954	1,954
7,050	7,100	1,061	1,061	1,061	1,061	10,050	10,100	1,511	1,511	1,511	1,511	13,050	13,100	1,961	1,961	1,961	1,961
7,100	7,150	1,069	1,069	1,069	1,069	10,100	10,150	1,519	1,519	1,519	1,519	13,100	13,150	1,969	1,969	1,969	1,969
7,150	7,200	1,076	1,076	1,076	1,076	10,150	10,200	1,526	1,526	1,526	1,526	13,150	13,200	1,976	1,976	1,976	1,976
7,200	7,250	1,084	1,084	1,084	1,084	10,200	10,250	1,534	1,534	1,534	1,534	13,200	13,250	1,984	1,984	1,984	1,984
7,250	7,300	1,091	1,091	1,091	1,091	10,250	10,300	1,541	1,541	1,541	1,541	13,250	13,300	1,991	1,991	1,991	1,991
7,300	7,350	1,099	1,099	1,099	1,099	10,300	10,350	1,549	1,549	1,549	1,549	13,300	13,350	1,999	1,999	1,999	1,999
7,350	7,400	1,106	1,106	1,106	1,106	10,350	10,400	1,556	1,556	1,556	1,556	13,350	13,400	2,006	2,006	2,006	2,006
7,400	7,450	1,114	1,114	1,114	1,114	10,400	10,450	1,564	1,564	1,564	1,564	13,400	13,450	2,014	2,014	2,014	2,014
7,450	7,500	1,121	1,121	1,121	1,121	10,450	10,500	1,571	1,571	1,571	1,571	13,450	13,500	2,021	2,021	2,021	2,021
7,500	7,550	1,129	1,129	1,129	1,129	10,500	10,550	1,579	1,579	1,579	1,579	13,500	13,550	2,029	2,029	2,029	2,029
7,550	7,600	1,136	1,136	1,136	1,136	10,550	10,600	1,586	1,586	1,586	1,586	13,550	13,600	2,036	2,036	2,036	2,036
7,600	7,650	1,144	1,144	1,144	1,144	10,600	10,650	1,594	1,594	1,594	1,594	13,600	13,650	2,044	2,044	2,044	2,044
7,650	7,700	1,151	1,151	1,151	1,151	10,650	10,700	1,601	1,601	1,601	1,601	13,650	13,700	2,051	2,051	2,051	2,051
7,700	7,750	1,159	1,159	1,159	1,159	10,700	10,750	1,609	1,609	1,609	1,609	13,700	13,750	2,059	2,059	2,059	2,059
7,750	7,800	1,166	1,166	1,166	1,166	10,750	10,800	1,616	1,616	1,616	1,616	13,750	13,800	2,066	2,066	2,066	2,066
7,800	7,850	1,174	1,174	1,174	1,174	10,800	10,850	1,624	1,624	1,624	1,624	13,800	13,850	2,074	2,074	2,074	2,074
7,850	7,900	1,181	1,181	1,181	1,181	10,850	10,900	1,631	1,631	1,631	1,631	13,850	13,900	2,081	2,081	2,081	2,081
7,900	7,950	1,189	1,189	1,189	1,189	10,900	10,950	1,639	1,639	1,639	1,639	13,900	13,950	2,089	2,089	2,089	2,089
7,950	8,000	1,196	1,196	1,196	1,196	10,950	11,000	1,646	1,646	1,646	1,646	13,950	14,000	2,096	2,096	2,096	2,096

\* This column must also be used by a qualifying widow(er).

Continued on next page



1997 Tax Table—Continued

If line 38 (taxable income) is—		And you are—				If line 38 (taxable income) is—		And you are—				If line 38 (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—			
<b>14,000</b>						<b>17,000</b>						<b>20,000</b>					
14,000	14,050	2,104	2,104	2,104	2,104	17,000	17,050	2,554	2,554	2,554	2,554	20,000	20,050	3,004	3,004	3,004	3,004
14,050	14,100	2,111	2,111	2,111	2,111	17,050	17,100	2,561	2,561	2,561	2,561	20,050	20,100	3,011	3,011	3,011	3,011
14,100	14,150	2,119	2,119	2,119	2,119	17,100	17,150	2,569	2,569	2,569	2,569	20,100	20,150	3,019	3,019	3,019	3,019
14,150	14,200	2,126	2,126	2,126	2,126	17,150	17,200	2,576	2,576	2,576	2,576	20,150	20,200	3,026	3,026	3,026	3,026
14,200	14,250	2,134	2,134	2,134	2,134	17,200	17,250	2,584	2,584	2,584	2,584	20,200	20,250	3,034	3,034	3,034	3,034
14,250	14,300	2,141	2,141	2,141	2,141	17,250	17,300	2,591	2,591	2,591	2,591	20,250	20,300	3,041	3,041	3,041	3,041
14,300	14,350	2,149	2,149	2,149	2,149	17,300	17,350	2,599	2,599	2,599	2,599	20,300	20,350	3,049	3,049	3,049	3,049
14,350	14,400	2,156	2,156	2,156	2,156	17,350	17,400	2,606	2,606	2,606	2,606	20,350	20,400	3,056	3,056	3,056	3,056
14,400	14,450	2,164	2,164	2,164	2,164	17,400	17,450	2,614	2,614	2,614	2,614	20,400	20,450	3,064	3,064	3,064	3,064
14,450	14,500	2,171	2,171	2,171	2,171	17,450	17,500	2,621	2,621	2,621	2,621	20,450	20,500	3,071	3,071	3,071	3,071
14,500	14,550	2,179	2,179	2,179	2,179	17,500	17,550	2,629	2,629	2,629	2,629	20,500	20,550	3,079	3,079	3,079	3,079
14,550	14,600	2,186	2,186	2,186	2,186	17,550	17,600	2,636	2,636	2,636	2,636	20,550	20,600	3,086	3,086	3,086	3,086
14,600	14,650	2,194	2,194	2,194	2,194	17,600	17,650	2,644	2,644	2,644	2,644	20,600	20,650	3,094	3,094	3,097	3,094
14,650	14,700	2,201	2,201	2,201	2,201	17,650	17,700	2,651	2,651	2,651	2,651	20,650	20,700	3,101	3,101	3,111	3,101
14,700	14,750	2,209	2,209	2,209	2,209	17,700	17,750	2,659	2,659	2,659	2,659	20,700	20,750	3,109	3,109	3,125	3,109
14,750	14,800	2,216	2,216	2,216	2,216	17,750	17,800	2,666	2,666	2,666	2,666	20,750	20,800	3,116	3,116	3,139	3,116
14,800	14,850	2,224	2,224	2,224	2,224	17,800	17,850	2,674	2,674	2,674	2,674	20,800	20,850	3,124	3,124	3,153	3,124
14,850	14,900	2,231	2,231	2,231	2,231	17,850	17,900	2,681	2,681	2,681	2,681	20,850	20,900	3,131	3,131	3,167	3,131
14,900	14,950	2,239	2,239	2,239	2,239	17,900	17,950	2,689	2,689	2,689	2,689	20,900	20,950	3,139	3,139	3,181	3,139
14,950	15,000	2,246	2,246	2,246	2,246	17,950	18,000	2,696	2,696	2,696	2,696	20,950	21,000	3,146	3,146	3,195	3,146
<b>15,000</b>						<b>18,000</b>						<b>21,000</b>					
15,000	15,050	2,254	2,254	2,254	2,254	18,000	18,050	2,704	2,704	2,704	2,704	21,000	21,050	3,154	3,154	3,209	3,154
15,050	15,100	2,261	2,261	2,261	2,261	18,050	18,100	2,711	2,711	2,711	2,711	21,050	21,100	3,161	3,161	3,223	3,161
15,100	15,150	2,269	2,269	2,269	2,269	18,100	18,150	2,719	2,719	2,719	2,719	21,100	21,150	3,169	3,169	3,237	3,169
15,150	15,200	2,276	2,276	2,276	2,276	18,150	18,200	2,726	2,726	2,726	2,726	21,150	21,200	3,176	3,176	3,251	3,176
15,200	15,250	2,284	2,284	2,284	2,284	18,200	18,250	2,734	2,734	2,734	2,734	21,200	21,250	3,184	3,184	3,265	3,184
15,250	15,300	2,291	2,291	2,291	2,291	18,250	18,300	2,741	2,741	2,741	2,741	21,250	21,300	3,191	3,191	3,279	3,191
15,300	15,350	2,299	2,299	2,299	2,299	18,300	18,350	2,749	2,749	2,749	2,749	21,300	21,350	3,199	3,199	3,293	3,199
15,350	15,400	2,306	2,306	2,306	2,306	18,350	18,400	2,756	2,756	2,756	2,756	21,350	21,400	3,206	3,206	3,307	3,206
15,400	15,450	2,314	2,314	2,314	2,314	18,400	18,450	2,764	2,764	2,764	2,764	21,400	21,450	3,214	3,214	3,321	3,214
15,450	15,500	2,321	2,321	2,321	2,321	18,450	18,500	2,771	2,771	2,771	2,771	21,450	21,500	3,221	3,221	3,335	3,221
15,500	15,550	2,329	2,329	2,329	2,329	18,500	18,550	2,779	2,779	2,779	2,779	21,500	21,550	3,229	3,229	3,349	3,229
15,550	15,600	2,336	2,336	2,336	2,336	18,550	18,600	2,786	2,786	2,786	2,786	21,550	21,600	3,236	3,236	3,363	3,236
15,600	15,650	2,344	2,344	2,344	2,344	18,600	18,650	2,794	2,794	2,794	2,794	21,600	21,650	3,244	3,244	3,377	3,244
15,650	15,700	2,351	2,351	2,351	2,351	18,650	18,700	2,801	2,801	2,801	2,801	21,650	21,700	3,251	3,251	3,391	3,251
15,700	15,750	2,359	2,359	2,359	2,359	18,700	18,750	2,809	2,809	2,809	2,809	21,700	21,750	3,259	3,259	3,405	3,259
15,750	15,800	2,366	2,366	2,366	2,366	18,750	18,800	2,816	2,816	2,816	2,816	21,750	21,800	3,266	3,266	3,419	3,266
15,800	15,850	2,374	2,374	2,374	2,374	18,800	18,850	2,824	2,824	2,824	2,824	21,800	21,850	3,274	3,274	3,433	3,274
15,850	15,900	2,381	2,381	2,381	2,381	18,850	18,900	2,831	2,831	2,831	2,831	21,850	21,900	3,281	3,281	3,447	3,281
15,900	15,950	2,389	2,389	2,389	2,389	18,900	18,950	2,839	2,839	2,839	2,839	21,900	21,950	3,289	3,289	3,461	3,289
15,950	16,000	2,396	2,396	2,396	2,396	18,950	19,000	2,846	2,846	2,846	2,846	21,950	22,000	3,296	3,296	3,475	3,296
<b>16,000</b>						<b>19,000</b>						<b>22,000</b>					
16,000	16,050	2,404	2,404	2,404	2,404	19,000	19,050	2,854	2,854	2,854	2,854	22,000	22,050	3,304	3,304	3,489	3,304
16,050	16,100	2,411	2,411	2,411	2,411	19,050	19,100	2,861	2,861	2,861	2,861	22,050	22,100	3,311	3,311	3,503	3,311
16,100	16,150	2,419	2,419	2,419	2,419	19,100	19,150	2,869	2,869	2,869	2,869	22,100	22,150	3,319	3,319	3,517	3,319
16,150	16,200	2,426	2,426	2,426	2,426	19,150	19,200	2,876	2,876	2,876	2,876	22,150	22,200	3,326	3,326	3,531	3,326
16,200	16,250	2,434	2,434	2,434	2,434	19,200	19,250	2,884	2,884	2,884	2,884	22,200	22,250	3,334	3,334	3,545	3,334
16,250	16,300	2,441	2,441	2,441	2,441	19,250	19,300	2,891	2,891	2,891	2,891	22,250	22,300	3,341	3,341	3,559	3,341
16,300	16,350	2,449	2,449	2,449	2,449	19,300	19,350	2,899	2,899	2,899	2,899	22,300	22,350	3,349	3,349	3,573	3,349
16,350	16,400	2,456	2,456	2,456	2,456	19,350	19,400	2,906	2,906	2,906	2,906	22,350	22,400	3,356	3,356	3,587	3,356
16,400	16,450	2,464	2,464	2,464	2,464	19,400	19,450	2,914	2,914	2,914	2,914	22,400	22,450	3,364	3,364	3,601	3,364
16,450	16,500	2,471	2,471	2,471	2,471	19,450	19,500	2,921	2,921	2,921	2,921	22,450	22,500	3,371	3,371	3,615	3,371
16,500	16,550	2,479	2,479	2,479	2,479	19,500	19,550	2,929	2,929	2,929	2,929	22,500	22,550	3,379	3,379	3,629	3,379
16,550	16,600	2,486	2,486	2,486	2,486	19,550	19,600	2,936	2,936	2,936	2,936	22,550	22,600	3,386	3,386	3,643	3,386
16,600	16,650	2,494	2,494	2,494	2,494	19,600	19,650	2,944	2,944	2,944	2,944	22,600	22,650	3,394	3,394	3,657	3,394
16,650	16,700	2,501	2,501	2,501	2,501	19,650	19,700	2,951	2,951	2,951	2,951	22,650	22,700	3,401	3,401	3,671	3,401
16,700	16,750	2,509	2,509	2,509	2,509	19,700	19,750	2,959	2,959	2,959	2,959	22,700	22,750	3,409	3,409	3,685	3,409
16,750	16,800	2,516	2,516	2,516	2,516	19,750	19,800	2,966	2,966	2,966	2,966	22,750	22,800	3,416	3,416	3,699	3,416
16,800	16,850	2,524	2,524	2,524	2,524	19,800	19,850	2,974	2,974	2,974	2,974	22,800	22,850	3,424	3,424	3,713	3,424
16,850	16,900	2,531	2,531	2,531	2,531	19,850	19,900	2,981	2,981	2,981	2,981	22,850	22,900	3,431	3,431	3,727	3,431
16,900	16,950	2,539	2,539	2,539	2,539	19,900	19,950	2,989	2,989	2,989	2,989	22,900	22,950	3,439	3,439	3,741	3,439
16,950	17,000	2,546	2,546	2,546	2,546	19,950	20,000	2,996	2,996	2,996							

1997 Tax Table—Continued

If line 38 (taxable income) is—		And you are—				If line 38 (taxable income) is—		And you are—				If line 38 (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—			
<b>23,000</b>						<b>26,000</b>						<b>29,000</b>					
23,000	23,050	3,454	3,454	3,769	3,454	26,000	26,050	4,083	3,904	4,609	3,904	29,000	29,050	4,923	4,354	5,449	4,354
23,050	23,100	3,461	3,461	3,783	3,461	26,050	26,100	4,097	3,911	4,623	3,911	29,050	29,100	4,937	4,361	5,463	4,361
23,100	23,150	3,469	3,469	3,797	3,469	26,100	26,150	4,111	3,919	4,637	3,919	29,100	29,150	4,951	4,369	5,477	4,369
23,150	23,200	3,476	3,476	3,811	3,476	26,150	26,200	4,125	3,926	4,651	3,926	29,150	29,200	4,965	4,376	5,491	4,376
23,200	23,250	3,484	3,484	3,825	3,484	26,200	26,250	4,139	3,934	4,665	3,934	29,200	29,250	4,979	4,384	5,505	4,384
23,250	23,300	3,491	3,491	3,839	3,491	26,250	26,300	4,153	3,941	4,679	3,941	29,250	29,300	4,993	4,391	5,519	4,391
23,300	23,350	3,499	3,499	3,853	3,499	26,300	26,350	4,167	3,949	4,693	3,949	29,300	29,350	5,007	4,399	5,533	4,399
23,350	23,400	3,506	3,506	3,867	3,506	26,350	26,400	4,181	3,956	4,707	3,956	29,350	29,400	5,021	4,406	5,547	4,406
23,400	23,450	3,514	3,514	3,881	3,514	26,400	26,450	4,195	3,964	4,721	3,964	29,400	29,450	5,035	4,414	5,561	4,414
23,450	23,500	3,521	3,521	3,895	3,521	26,450	26,500	4,209	3,971	4,735	3,971	29,450	29,500	5,049	4,421	5,575	4,421
23,500	23,550	3,529	3,529	3,909	3,529	26,500	26,550	4,223	3,979	4,749	3,979	29,500	29,550	5,063	4,429	5,589	4,429
23,550	23,600	3,536	3,536	3,923	3,536	26,550	26,600	4,237	3,986	4,763	3,986	29,550	29,600	5,077	4,436	5,603	4,436
23,600	23,650	3,544	3,544	3,937	3,544	26,600	26,650	4,251	3,994	4,777	3,994	29,600	29,650	5,091	4,444	5,617	4,444
23,650	23,700	3,551	3,551	3,951	3,551	26,650	26,700	4,265	4,001	4,791	4,001	29,650	29,700	5,105	4,451	5,631	4,451
23,700	23,750	3,559	3,559	3,965	3,559	26,700	26,750	4,279	4,009	4,805	4,009	29,700	29,750	5,119	4,459	5,645	4,459
23,750	23,800	3,566	3,566	3,979	3,566	26,750	26,800	4,293	4,016	4,819	4,016	29,750	29,800	5,133	4,466	5,659	4,466
23,800	23,850	3,574	3,574	3,993	3,574	26,800	26,850	4,307	4,024	4,833	4,024	29,800	29,850	5,147	4,474	5,673	4,474
23,850	23,900	3,581	3,581	4,007	3,581	26,850	26,900	4,321	4,031	4,847	4,031	29,850	29,900	5,161	4,481	5,687	4,481
23,900	23,950	3,589	3,589	4,021	3,589	26,900	26,950	4,335	4,039	4,861	4,039	29,900	29,950	5,175	4,489	5,701	4,489
23,950	24,000	3,596	3,596	4,035	3,596	26,950	27,000	4,349	4,046	4,875	4,046	29,950	30,000	5,189	4,496	5,715	4,496
<b>24,000</b>						<b>27,000</b>						<b>30,000</b>					
24,000	24,050	3,604	3,604	4,049	3,604	27,000	27,050	4,363	4,054	4,889	4,054	30,000	30,050	5,203	4,504	5,729	4,504
24,050	24,100	3,611	3,611	4,063	3,611	27,050	27,100	4,377	4,061	4,903	4,061	30,050	30,100	5,217	4,511	5,743	4,511
24,100	24,150	3,619	3,619	4,077	3,619	27,100	27,150	4,391	4,069	4,917	4,069	30,100	30,150	5,231	4,519	5,757	4,519
24,150	24,200	3,626	3,626	4,091	3,626	27,150	27,200	4,405	4,076	4,931	4,076	30,150	30,200	5,245	4,526	5,771	4,526
24,200	24,250	3,634	3,634	4,105	3,634	27,200	27,250	4,419	4,084	4,945	4,084	30,200	30,250	5,259	4,534	5,785	4,534
24,250	24,300	3,641	3,641	4,119	3,641	27,250	27,300	4,433	4,091	4,959	4,091	30,250	30,300	5,273	4,541	5,799	4,541
24,300	24,350	3,649	3,649	4,133	3,649	27,300	27,350	4,447	4,099	4,973	4,099	30,300	30,350	5,287	4,549	5,813	4,549
24,350	24,400	3,656	3,656	4,147	3,656	27,350	27,400	4,461	4,106	4,987	4,106	30,350	30,400	5,301	4,556	5,827	4,556
24,400	24,450	3,664	3,664	4,161	3,664	27,400	27,450	4,475	4,114	5,001	4,114	30,400	30,450	5,315	4,564	5,841	4,564
24,450	24,500	3,671	3,671	4,175	3,671	27,450	27,500	4,489	4,121	5,015	4,121	30,450	30,500	5,329	4,571	5,855	4,571
24,500	24,550	3,679	3,679	4,189	3,679	27,500	27,550	4,503	4,129	5,029	4,129	30,500	30,550	5,343	4,579	5,869	4,579
24,550	24,600	3,686	3,686	4,203	3,686	27,550	27,600	4,517	4,136	5,043	4,136	30,550	30,600	5,357	4,586	5,883	4,586
24,600	24,650	3,694	3,694	4,217	3,694	27,600	27,650	4,531	4,144	5,057	4,144	30,600	30,650	5,371	4,594	5,897	4,594
24,650	24,700	3,702	3,702	4,231	3,702	27,650	27,700	4,545	4,151	5,071	4,151	30,650	30,700	5,385	4,601	5,911	4,601
24,700	24,750	3,710	3,710	4,245	3,710	27,700	27,750	4,559	4,159	5,085	4,159	30,700	30,750	5,399	4,609	5,925	4,609
24,750	24,800	3,718	3,718	4,259	3,718	27,750	27,800	4,573	4,166	5,099	4,166	30,750	30,800	5,413	4,616	5,939	4,616
24,800	24,850	3,726	3,726	4,273	3,726	27,800	27,850	4,587	4,174	5,113	4,174	30,800	30,850	5,427	4,624	5,953	4,624
24,850	24,900	3,734	3,734	4,287	3,734	27,850	27,900	4,601	4,181	5,127	4,181	30,850	30,900	5,441	4,631	5,967	4,631
24,900	24,950	3,742	3,742	4,301	3,742	27,900	27,950	4,615	4,189	5,141	4,189	30,900	30,950	5,455	4,639	5,981	4,639
24,950	25,000	3,750	3,750	4,315	3,750	27,950	28,000	4,629	4,196	5,155	4,196	30,950	31,000	5,469	4,646	5,995	4,646
<b>25,000</b>						<b>28,000</b>						<b>31,000</b>					
25,000	25,050	3,803	3,754	4,329	3,754	28,000	28,050	4,643	4,204	5,169	4,204	31,000	31,050	5,483	4,654	6,009	4,654
25,050	25,100	3,811	3,761	4,343	3,761	28,050	28,100	4,657	4,211	5,183	4,211	31,050	31,100	5,497	4,661	6,023	4,661
25,100	25,150	3,819	3,769	4,357	3,769	28,100	28,150	4,671	4,219	5,197	4,219	31,100	31,150	5,511	4,669	6,037	4,669
25,150	25,200	3,827	3,777	4,371	3,777	28,150	28,200	4,685	4,226	5,211	4,226	31,150	31,200	5,525	4,676	6,051	4,676
25,200	25,250	3,835	3,784	4,385	3,784	28,200	28,250	4,699	4,234	5,225	4,234	31,200	31,250	5,539	4,684	6,065	4,684
25,250	25,300	3,843	3,791	4,399	3,791	28,250	28,300	4,713	4,241	5,239	4,241	31,250	31,300	5,553	4,691	6,079	4,691
25,300	25,350	3,851	3,799	4,413	3,799	28,300	28,350	4,727	4,249	5,253	4,249	31,300	31,350	5,567	4,699	6,093	4,699
25,350	25,400	3,859	3,806	4,427	3,806	28,350	28,400	4,741	4,256	5,267	4,256	31,350	31,400	5,581	4,706	6,107	4,706
25,400	25,450	3,867	3,814	4,441	3,814	28,400	28,450	4,755	4,264	5,281	4,264	31,400	31,450	5,595	4,714	6,121	4,714
25,450	25,500	3,875	3,821	4,455	3,821	28,450	28,500	4,769	4,271	5,295	4,271	31,450	31,500	5,609	4,721	6,135	4,721
25,500	25,550	3,883	3,829	4,469	3,829	28,500	28,550	4,783	4,279	5,309	4,279	31,500	31,550	5,623	4,729	6,149	4,729
25,550	25,600	3,891	3,836	4,483	3,836	28,550	28,600	4,797	4,286	5,323	4,286	31,550	31,600	5,637	4,736	6,163	4,736
25,600	25,650	3,899	3,844	4,497	3,844	28,600	28,650	4,811	4,294	5,337	4,294	31,600	31,650	5,651	4,744	6,177	4,744
25,650	25,700	3,907	3,851	4,511	3,851	28,650	28,700	4,825	4,301	5,351	4,301	31,650	31,700	5,665	4,751	6,191	4,751
25,700	25,750	3,915	3,859	4,525	3,859	28,700	28,750	4,839	4,309	5,365	4,309	31,700	31,750	5,679	4,759	6,205	4,759
25,750	25,800	3,923	3,866	4,539	3,866	28,750	28,800	4,853	4,316	5,379	4,316	31,750	31,800	5,693	4,766	6,219	4,766
25,800	25,850	3,931	3,874	4,553	3,874	28,800	28,850	4,867	4,324	5,393	4,324	31,800	31,850	5,707	4,774	6,233	4,774
25,850	25,900	3,939	3,881	4,567	3,881	28,850	28,900	4,881	4,331	5,407	4,331	31,850	31,900	5,721	4,781	6,247	4,781
25,900	25,950	3,947	3,889	4,581	3,889	28,900	28,950	4,895	4,339	5,421	4,339	31,900	31,950	5,735	4,789	6,261	4,789
25,950	26,000	3,955	3,896	4,595	3,896	28,950	29,000	4,909	4,346	5,435							

1997 Tax Table—Continued

If line 38 (taxable income) is—		And you are—				If line 38 (taxable income) is—		And you are—				If line 38 (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—			
<b>32,000</b>						<b>35,000</b>						<b>38,000</b>					
32,000	32,050	5,763	4,804	6,289	4,804	35,000	35,050	6,603	5,254	7,129	5,511	38,000	38,050	7,443	5,704	7,969	6,351
32,050	32,100	5,777	4,811	6,303	4,811	35,050	35,100	6,617	5,261	7,143	5,525	38,050	38,100	7,457	5,711	7,983	6,365
32,100	32,150	5,791	4,819	6,317	4,819	35,100	35,150	6,631	5,269	7,157	5,539	38,100	38,150	7,471	5,719	7,997	6,379
32,150	32,200	5,805	4,826	6,331	4,826	35,150	35,200	6,645	5,276	7,171	5,553	38,150	38,200	7,485	5,726	8,011	6,393
32,200	32,250	5,819	4,834	6,345	4,834	35,200	35,250	6,659	5,284	7,185	5,567	38,200	38,250	7,499	5,734	8,025	6,407
32,250	32,300	5,833	4,841	6,359	4,841	35,250	35,300	6,673	5,291	7,199	5,581	38,250	38,300	7,513	5,741	8,039	6,421
32,300	32,350	5,847	4,849	6,373	4,849	35,300	35,350	6,687	5,299	7,213	5,595	38,300	38,350	7,527	5,749	8,053	6,435
32,350	32,400	5,861	4,856	6,387	4,856	35,350	35,400	6,701	5,306	7,227	5,609	38,350	38,400	7,541	5,756	8,067	6,449
32,400	32,450	5,875	4,864	6,401	4,864	35,400	35,450	6,715	5,314	7,241	5,623	38,400	38,450	7,555	5,764	8,081	6,463
32,450	32,500	5,889	4,871	6,415	4,871	35,450	35,500	6,729	5,321	7,255	5,637	38,450	38,500	7,569	5,771	8,095	6,477
32,500	32,550	5,903	4,879	6,429	4,879	35,500	35,550	6,743	5,329	7,269	5,651	38,500	38,550	7,583	5,779	8,109	6,491
32,550	32,600	5,917	4,886	6,443	4,886	35,550	35,600	6,757	5,336	7,283	5,665	38,550	38,600	7,597	5,786	8,123	6,505
32,600	32,650	5,931	4,894	6,457	4,894	35,600	35,650	6,771	5,344	7,297	5,679	38,600	38,650	7,611	5,794	8,137	6,519
32,650	32,700	5,945	4,901	6,471	4,901	35,650	35,700	6,785	5,351	7,311	5,693	38,650	38,700	7,625	5,801	8,151	6,533
32,700	32,750	5,959	4,909	6,485	4,909	35,700	35,750	6,799	5,359	7,325	5,707	38,700	38,750	7,639	5,809	8,165	6,547
32,750	32,800	5,973	4,916	6,499	4,916	35,750	35,800	6,813	5,366	7,339	5,721	38,750	38,800	7,653	5,816	8,179	6,561
32,800	32,850	5,987	4,924	6,513	4,924	35,800	35,850	6,827	5,374	7,353	5,735	38,800	38,850	7,667	5,824	8,193	6,575
32,850	32,900	6,001	4,931	6,527	4,931	35,850	35,900	6,841	5,381	7,367	5,749	38,850	38,900	7,681	5,831	8,207	6,589
32,900	32,950	6,015	4,939	6,541	4,939	35,900	35,950	6,855	5,389	7,381	5,763	38,900	38,950	7,695	5,839	8,221	6,603
32,950	33,000	6,029	4,946	6,555	4,946	35,950	36,000	6,869	5,396	7,395	5,777	38,950	39,000	7,709	5,846	8,235	6,617
<b>33,000</b>						<b>36,000</b>						<b>39,000</b>					
33,000	33,050	6,043	4,954	6,569	4,954	36,000	36,050	6,883	5,404	7,409	5,791	39,000	39,050	7,723	5,854	8,249	6,631
33,050	33,100	6,057	4,961	6,583	4,965	36,050	36,100	6,897	5,411	7,423	5,805	39,050	39,100	7,737	5,861	8,263	6,645
33,100	33,150	6,071	4,969	6,597	4,979	36,100	36,150	6,911	5,419	7,437	5,819	39,100	39,150	7,751	5,869	8,277	6,659
33,150	33,200	6,085	4,976	6,611	4,993	36,150	36,200	6,925	5,426	7,451	5,833	39,150	39,200	7,765	5,876	8,291	6,673
33,200	33,250	6,099	4,984	6,625	5,007	36,200	36,250	6,939	5,434	7,465	5,847	39,200	39,250	7,779	5,884	8,305	6,687
33,250	33,300	6,113	4,991	6,639	5,021	36,250	36,300	6,953	5,441	7,479	5,861	39,250	39,300	7,793	5,891	8,319	6,701
33,300	33,350	6,127	4,999	6,653	5,035	36,300	36,350	6,967	5,449	7,493	5,875	39,300	39,350	7,807	5,899	8,333	6,715
33,350	33,400	6,141	5,006	6,667	5,049	36,350	36,400	6,981	5,456	7,507	5,889	39,350	39,400	7,821	5,906	8,347	6,729
33,400	33,450	6,155	5,014	6,681	5,063	36,400	36,450	6,995	5,464	7,521	5,903	39,400	39,450	7,835	5,914	8,361	6,743
33,450	33,500	6,169	5,021	6,695	5,077	36,450	36,500	7,009	5,471	7,535	5,917	39,450	39,500	7,849	5,921	8,375	6,757
33,500	33,550	6,183	5,029	6,709	5,091	36,500	36,550	7,023	5,479	7,549	5,931	39,500	39,550	7,863	5,929	8,389	6,771
33,550	33,600	6,197	5,036	6,723	5,105	36,550	36,600	7,037	5,486	7,563	5,945	39,550	39,600	7,877	5,936	8,403	6,785
33,600	33,650	6,211	5,044	6,737	5,119	36,600	36,650	7,051	5,494	7,577	5,959	39,600	39,650	7,891	5,944	8,417	6,799
33,650	33,700	6,225	5,051	6,751	5,133	36,650	36,700	7,065	5,501	7,591	5,973	39,650	39,700	7,905	5,951	8,431	6,813
33,700	33,750	6,239	5,059	6,765	5,147	36,700	36,750	7,079	5,509	7,605	5,987	39,700	39,750	7,919	5,959	8,445	6,827
33,750	33,800	6,253	5,066	6,779	5,161	36,750	36,800	7,093	5,516	7,619	6,001	39,750	39,800	7,933	5,966	8,459	6,841
33,800	33,850	6,267	5,074	6,793	5,175	36,800	36,850	7,107	5,524	7,633	6,015	39,800	39,850	7,947	5,974	8,473	6,855
33,850	33,900	6,281	5,081	6,807	5,189	36,850	36,900	7,121	5,531	7,647	6,029	39,850	39,900	7,961	5,981	8,487	6,869
33,900	33,950	6,295	5,089	6,821	5,203	36,900	36,950	7,135	5,539	7,661	6,043	39,900	39,950	7,975	5,989	8,501	6,883
33,950	34,000	6,309	5,096	6,835	5,217	36,950	37,000	7,149	5,546	7,675	6,057	39,950	40,000	7,989	5,996	8,515	6,897
<b>34,000</b>						<b>37,000</b>						<b>40,000</b>					
34,000	34,050	6,323	5,104	6,849	5,231	37,000	37,050	7,163	5,554	7,689	6,071	40,000	40,050	8,003	6,004	8,529	6,911
34,050	34,100	6,337	5,111	6,863	5,245	37,050	37,100	7,177	5,561	7,703	6,085	40,050	40,100	8,017	6,011	8,543	6,925
34,100	34,150	6,351	5,119	6,877	5,259	37,100	37,150	7,191	5,569	7,717	6,099	40,100	40,150	8,031	6,019	8,557	6,939
34,150	34,200	6,365	5,126	6,891	5,273	37,150	37,200	7,205	5,576	7,731	6,113	40,150	40,200	8,045	6,026	8,571	6,953
34,200	34,250	6,379	5,134	6,905	5,287	37,200	37,250	7,219	5,584	7,745	6,127	40,200	40,250	8,059	6,034	8,585	6,967
34,250	34,300	6,393	5,141	6,919	5,301	37,250	37,300	7,233	5,591	7,759	6,141	40,250	40,300	8,073	6,041	8,599	6,981
34,300	34,350	6,407	5,149	6,933	5,315	37,300	37,350	7,247	5,599	7,773	6,155	40,300	40,350	8,087	6,049	8,613	6,995
34,350	34,400	6,421	5,156	6,947	5,329	37,350	37,400	7,261	5,606	7,787	6,169	40,350	40,400	8,101	6,056	8,627	7,009
34,400	34,450	6,435	5,164	6,961	5,343	37,400	37,450	7,275	5,614	7,801	6,183	40,400	40,450	8,115	6,064	8,641	7,023
34,450	34,500	6,449	5,171	6,975	5,357	37,450	37,500	7,289	5,621	7,815	6,197	40,450	40,500	8,129	6,071	8,655	7,037
34,500	34,550	6,463	5,179	6,989	5,371	37,500	37,550	7,303	5,629	7,829	6,211	40,500	40,550	8,143	6,079	8,669	7,051
34,550	34,600	6,477	5,186	7,003	5,385	37,550	37,600	7,317	5,636	7,843	6,225	40,550	40,600	8,157	6,086	8,683	7,065
34,600	34,650	6,491	5,194	7,017	5,399	37,600	37,650	7,331	5,644	7,857	6,239	40,600	40,650	8,171	6,094	8,697	7,079
34,650	34,700	6,505	5,201	7,031	5,413	37,650	37,700	7,345	5,651	7,871	6,253	40,650	40,700	8,185	6,101	8,711	7,093
34,700	34,750	6,519	5,209	7,045	5,427	37,700	37,750	7,359	5,659	7,885	6,267	40,700	40,750	8,199	6,109	8,725	7,107
34,750	34,800	6,533	5,216	7,059	5,441	37,750	37,800	7,373	5,666	7,899	6,281	40,750	40,800	8,213	6,116	8,739	7,121
34,800	34,850	6,547	5,224	7,073	5,455	37,800	37,850	7,387	5,674	7,913	6,295	40,800	40,850	8,227	6,124	8,753	7,135
34,850	34,900	6,561	5,231	7,087	5,469	37,850	37,900	7,401	5,681	7,927	6,309	40,850	40,900	8,241	6,131	8,767	7,149
34,900	34,950	6,575	5,239	7,101	5,483	37,900	37,950	7,415	5,689	7,941	6,323	40,900	40,950	8,255	6,139	8,781	7,163
34,950	35,000	6,589	5,246	7,115	5,497	37,950	38,000	7,429	5,696	7,955							

1997 Tax Table—Continued

If line 38 (taxable income) is—		And you are—				If line 38 (taxable income) is—		And you are—				If line 38 (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—			
<b>41,000</b>						<b>44,000</b>						<b>47,000</b>					
41,000	41,050	8,283	6,154	8,809	7,191	44,000	44,050	9,123	6,971	9,649	8,031	47,000	47,050	9,963	7,811	10,489	8,871
41,050	41,100	8,297	6,161	8,823	7,205	44,050	44,100	9,137	6,985	9,663	8,045	47,050	47,100	9,977	7,825	10,503	8,885
41,100	41,150	8,311	6,169	8,837	7,219	44,100	44,150	9,151	6,999	9,677	8,059	47,100	47,150	9,991	7,839	10,517	8,899
41,150	41,200	8,325	6,176	8,851	7,233	44,150	44,200	9,165	7,013	9,691	8,073	47,150	47,200	10,005	7,853	10,531	8,913
41,200	41,250	8,339	6,187	8,865	7,247	44,200	44,250	9,179	7,027	9,705	8,087	47,200	47,250	10,019	7,867	10,545	8,927
41,250	41,300	8,353	6,201	8,879	7,261	44,250	44,300	9,193	7,041	9,719	8,101	47,250	47,300	10,033	7,881	10,559	8,941
41,300	41,350	8,367	6,215	8,893	7,275	44,300	44,350	9,207	7,055	9,733	8,115	47,300	47,350	10,047	7,895	10,573	8,955
41,350	41,400	8,381	6,229	8,907	7,289	44,350	44,400	9,221	7,069	9,747	8,129	47,350	47,400	10,061	7,909	10,587	8,969
41,400	41,450	8,395	6,243	8,921	7,303	44,400	44,450	9,235	7,083	9,761	8,143	47,400	47,450	10,075	7,923	10,601	8,983
41,450	41,500	8,409	6,257	8,935	7,317	44,450	44,500	9,249	7,097	9,775	8,157	47,450	47,500	10,089	7,937	10,615	8,997
41,500	41,550	8,423	6,271	8,949	7,331	44,500	44,550	9,263	7,111	9,789	8,171	47,500	47,550	10,103	7,951	10,629	9,011
41,550	41,600	8,437	6,285	8,963	7,345	44,550	44,600	9,277	7,125	9,803	8,185	47,550	47,600	10,117	7,965	10,643	9,025
41,600	41,650	8,451	6,299	8,977	7,359	44,600	44,650	9,291	7,139	9,817	8,199	47,600	47,650	10,131	7,979	10,657	9,039
41,650	41,700	8,465	6,313	8,991	7,373	44,650	44,700	9,305	7,153	9,831	8,213	47,650	47,700	10,145	7,993	10,671	9,053
41,700	41,750	8,479	6,327	9,005	7,387	44,700	44,750	9,319	7,167	9,845	8,227	47,700	47,750	10,159	8,007	10,685	9,067
41,750	41,800	8,493	6,341	9,019	7,401	44,750	44,800	9,333	7,181	9,859	8,241	47,750	47,800	10,173	8,021	10,699	9,081
41,800	41,850	8,507	6,355	9,033	7,415	44,800	44,850	9,347	7,195	9,873	8,255	47,800	47,850	10,187	8,035	10,713	9,095
41,850	41,900	8,521	6,369	9,047	7,429	44,850	44,900	9,361	7,209	9,887	8,269	47,850	47,900	10,201	8,049	10,727	9,109
41,900	41,950	8,535	6,383	9,061	7,443	44,900	44,950	9,375	7,223	9,901	8,283	47,900	47,950	10,215	8,063	10,741	9,123
41,950	42,000	8,549	6,397	9,075	7,457	44,950	45,000	9,389	7,237	9,915	8,297	47,950	48,000	10,229	8,077	10,755	9,137
<b>42,000</b>						<b>45,000</b>						<b>48,000</b>					
42,000	42,050	8,563	6,411	9,089	7,471	45,000	45,050	9,403	7,251	9,929	8,311	48,000	48,050	10,243	8,091	10,769	9,151
42,050	42,100	8,577	6,425	9,103	7,485	45,050	45,100	9,417	7,265	9,943	8,325	48,050	48,100	10,257	8,105	10,783	9,165
42,100	42,150	8,591	6,439	9,117	7,499	45,100	45,150	9,431	7,279	9,957	8,339	48,100	48,150	10,271	8,119	10,797	9,179
42,150	42,200	8,605	6,453	9,131	7,513	45,150	45,200	9,445	7,293	9,971	8,353	48,150	48,200	10,285	8,133	10,811	9,193
42,200	42,250	8,619	6,467	9,145	7,527	45,200	45,250	9,459	7,307	9,985	8,367	48,200	48,250	10,299	8,147	10,825	9,207
42,250	42,300	8,633	6,481	9,159	7,541	45,250	45,300	9,473	7,321	9,999	8,381	48,250	48,300	10,313	8,161	10,839	9,221
42,300	42,350	8,647	6,495	9,173	7,555	45,300	45,350	9,487	7,335	10,013	8,395	48,300	48,350	10,327	8,175	10,853	9,235
42,350	42,400	8,661	6,509	9,187	7,569	45,350	45,400	9,501	7,349	10,027	8,409	48,350	48,400	10,341	8,189	10,867	9,249
42,400	42,450	8,675	6,523	9,201	7,583	45,400	45,450	9,515	7,363	10,041	8,423	48,400	48,450	10,355	8,203	10,881	9,263
42,450	42,500	8,689	6,537	9,215	7,597	45,450	45,500	9,529	7,377	10,055	8,437	48,450	48,500	10,369	8,217	10,895	9,277
42,500	42,550	8,703	6,551	9,229	7,611	45,500	45,550	9,543	7,391	10,069	8,451	48,500	48,550	10,383	8,231	10,909	9,291
42,550	42,600	8,717	6,565	9,243	7,625	45,550	45,600	9,557	7,405	10,083	8,465	48,550	48,600	10,397	8,245	10,923	9,305
42,600	42,650	8,731	6,579	9,257	7,639	45,600	45,650	9,571	7,419	10,097	8,479	48,600	48,650	10,411	8,259	10,937	9,319
42,650	42,700	8,745	6,593	9,271	7,653	45,650	45,700	9,585	7,433	10,111	8,493	48,650	48,700	10,425	8,273	10,951	9,333
42,700	42,750	8,759	6,607	9,285	7,667	45,700	45,750	9,599	7,447	10,125	8,507	48,700	48,750	10,439	8,287	10,965	9,347
42,750	42,800	8,773	6,621	9,299	7,681	45,750	45,800	9,613	7,461	10,139	8,521	48,750	48,800	10,453	8,301	10,979	9,361
42,800	42,850	8,787	6,635	9,313	7,695	45,800	45,850	9,627	7,475	10,153	8,535	48,800	48,850	10,467	8,315	10,993	9,375
42,850	42,900	8,801	6,649	9,327	7,709	45,850	45,900	9,641	7,489	10,167	8,549	48,850	48,900	10,481	8,329	11,007	9,389
42,900	42,950	8,815	6,663	9,341	7,723	45,900	45,950	9,655	7,503	10,181	8,563	48,900	48,950	10,495	8,343	11,021	9,403
42,950	43,000	8,829	6,677	9,355	7,737	45,950	46,000	9,669	7,517	10,195	8,577	48,950	49,000	10,509	8,357	11,035	9,417
<b>43,000</b>						<b>46,000</b>						<b>49,000</b>					
43,000	43,050	8,843	6,691	9,369	7,751	46,000	46,050	9,683	7,531	10,209	8,591	49,000	49,050	10,523	8,371	11,049	9,431
43,050	43,100	8,857	6,705	9,383	7,765	46,050	46,100	9,697	7,545	10,223	8,605	49,050	49,100	10,537	8,385	11,063	9,445
43,100	43,150	8,871	6,719	9,397	7,779	46,100	46,150	9,711	7,559	10,237	8,619	49,100	49,150	10,551	8,399	11,077	9,459
43,150	43,200	8,885	6,733	9,411	7,793	46,150	46,200	9,725	7,573	10,251	8,633	49,150	49,200	10,565	8,413	11,091	9,473
43,200	43,250	8,899	6,747	9,425	7,807	46,200	46,250	9,739	7,587	10,265	8,647	49,200	49,250	10,579	8,427	11,105	9,487
43,250	43,300	8,913	6,761	9,439	7,821	46,250	46,300	9,753	7,601	10,279	8,661	49,250	49,300	10,593	8,441	11,119	9,501
43,300	43,350	8,927	6,775	9,453	7,835	46,300	46,350	9,767	7,615	10,293	8,675	49,300	49,350	10,607	8,455	11,133	9,515
43,350	43,400	8,941	6,789	9,467	7,849	46,350	46,400	9,781	7,629	10,307	8,689	49,350	49,400	10,621	8,469	11,147	9,529
43,400	43,450	8,955	6,803	9,481	7,863	46,400	46,450	9,795	7,643	10,321	8,703	49,400	49,450	10,635	8,483	11,161	9,543
43,450	43,500	8,969	6,817	9,495	7,877	46,450	46,500	9,809	7,657	10,335	8,717	49,450	49,500	10,649	8,497	11,175	9,557
43,500	43,550	8,983	6,831	9,509	7,891	46,500	46,550	9,823	7,671	10,349	8,731	49,500	49,550	10,663	8,511	11,189	9,571
43,550	43,600	8,997	6,845	9,523	7,905	46,550	46,600	9,837	7,685	10,363	8,745	49,550	49,600	10,677	8,525	11,203	9,585
43,600	43,650	9,011	6,859	9,537	7,919	46,600	46,650	9,851	7,699	10,377	8,759	49,600	49,650	10,691	8,539	11,217	9,599
43,650	43,700	9,025	6,873	9,551	7,933	46,650	46,700	9,865	7,713	10,391	8,773	49,650	49,700	10,705	8,553	11,231	9,613
43,700	43,750	9,039	6,887	9,565	7,947	46,700	46,750	9,879	7,727	10,405	8,787	49,700	49,750	10,719	8,567	11,245	9,627
43,750	43,800	9,053	6,901	9,579	7,961	46,750	46,800	9,893	7,741	10,419	8,801	49,750	49,800	10,733	8,581	11,259	9,641
43,800	43,850	9,067	6,915	9,593	7,975	46,800	46,850	9,907	7,755	10,433	8,815	49,800	49,850	10,747	8,595	11,273	9,655
43,850	43,900	9,081	6,929	9,607	7,989	46,850	46,900	9,921	7,769	10,447	8,829	49,850	49,900	10,761	8,609	11,287	9,669
43,900	43,950	9,095	6,943	9,621	8,003	46,900	46,950	9,935	7,783	10,461	8,843	49,900	49,950	10,775	8,62		

1997 Tax Table—Continued

If line 38 (taxable income) is—		And you are—				If line 38 (taxable income) is—		And you are—				If line 38 (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—			
<b>50,000</b>						<b>53,000</b>						<b>56,000</b>					
50,000	50,050	10,803	8,651	11,336	9,711	53,000	53,050	11,643	9,491	12,266	10,551	56,000	56,050	12,483	10,331	13,196	11,391
50,050	50,100	10,817	8,665	11,351	9,725	53,050	53,100	11,657	9,505	12,281	10,565	56,050	56,100	12,497	10,345	13,211	11,405
50,100	50,150	10,831	8,679	11,367	9,739	53,100	53,150	11,671	9,519	12,297	10,579	56,100	56,150	12,511	10,359	13,227	11,419
50,150	50,200	10,845	8,693	11,382	9,753	53,150	53,200	11,685	9,533	12,312	10,593	56,150	56,200	12,525	10,373	13,242	11,433
50,200	50,250	10,859	8,707	11,398	9,767	53,200	53,250	11,699	9,547	12,328	10,607	56,200	56,250	12,539	10,387	13,258	11,447
50,250	50,300	10,873	8,721	11,413	9,781	53,250	53,300	11,713	9,561	12,343	10,621	56,250	56,300	12,553	10,401	13,273	11,461
50,300	50,350	10,887	8,735	11,429	9,795	53,300	53,350	11,727	9,575	12,359	10,635	56,300	56,350	12,567	10,415	13,289	11,475
50,350	50,400	10,901	8,749	11,444	9,809	53,350	53,400	11,741	9,589	12,374	10,649	56,350	56,400	12,581	10,429	13,304	11,489
50,400	50,450	10,915	8,763	11,460	9,823	53,400	53,450	11,755	9,603	12,390	10,663	56,400	56,450	12,595	10,443	13,320	11,503
50,450	50,500	10,929	8,777	11,475	9,837	53,450	53,500	11,769	9,617	12,405	10,677	56,450	56,500	12,609	10,457	13,335	11,517
50,500	50,550	10,943	8,791	11,491	9,851	53,500	53,550	11,783	9,631	12,421	10,691	56,500	56,550	12,623	10,471	13,351	11,531
50,550	50,600	10,957	8,805	11,506	9,865	53,550	53,600	11,797	9,645	12,436	10,705	56,550	56,600	12,637	10,485	13,366	11,545
50,600	50,650	10,971	8,819	11,522	9,879	53,600	53,650	11,811	9,659	12,452	10,719	56,600	56,650	12,651	10,499	13,382	11,559
50,650	50,700	10,985	8,833	11,537	9,893	53,650	53,700	11,825	9,673	12,467	10,733	56,650	56,700	12,665	10,513	13,397	11,573
50,700	50,750	10,999	8,847	11,553	9,907	53,700	53,750	11,839	9,687	12,483	10,747	56,700	56,750	12,679	10,527	13,413	11,587
50,750	50,800	11,013	8,861	11,568	9,921	53,750	53,800	11,853	9,701	12,498	10,761	56,750	56,800	12,693	10,541	13,428	11,601
50,800	50,850	11,027	8,875	11,584	9,935	53,800	53,850	11,867	9,715	12,514	10,775	56,800	56,850	12,707	10,555	13,444	11,615
50,850	50,900	11,041	8,889	11,599	9,949	53,850	53,900	11,881	9,729	12,529	10,789	56,850	56,900	12,721	10,569	13,459	11,629
50,900	50,950	11,055	8,903	11,615	9,963	53,900	53,950	11,895	9,743	12,545	10,803	56,900	56,950	12,735	10,583	13,475	11,643
50,950	51,000	11,069	8,917	11,630	9,977	53,950	54,000	11,909	9,757	12,560	10,817	56,950	57,000	12,749	10,597	13,490	11,657
<b>51,000</b>						<b>54,000</b>						<b>57,000</b>					
51,000	51,050	11,083	8,931	11,646	9,991	54,000	54,050	11,923	9,771	12,576	10,831	57,000	57,050	12,763	10,611	13,506	11,671
51,050	51,100	11,097	8,945	11,661	10,005	54,050	54,100	11,937	9,785	12,591	10,845	57,050	57,100	12,777	10,625	13,521	11,685
51,100	51,150	11,111	8,959	11,677	10,019	54,100	54,150	11,951	9,799	12,607	10,859	57,100	57,150	12,791	10,639	13,537	11,699
51,150	51,200	11,125	8,973	11,692	10,033	54,150	54,200	11,965	9,813	12,622	10,873	57,150	57,200	12,805	10,653	13,552	11,713
51,200	51,250	11,139	8,987	11,708	10,047	54,200	54,250	11,979	9,827	12,638	10,887	57,200	57,250	12,819	10,667	13,568	11,727
51,250	51,300	11,153	9,001	11,723	10,061	54,250	54,300	11,993	9,841	12,653	10,901	57,250	57,300	12,833	10,681	13,583	11,741
51,300	51,350	11,167	9,015	11,739	10,075	54,300	54,350	12,007	9,855	12,669	10,915	57,300	57,350	12,847	10,695	13,599	11,755
51,350	51,400	11,181	9,029	11,754	10,089	54,350	54,400	12,021	9,869	12,684	10,929	57,350	57,400	12,861	10,709	13,614	11,769
51,400	51,450	11,195	9,043	11,770	10,103	54,400	54,450	12,035	9,883	12,700	10,943	57,400	57,450	12,875	10,723	13,630	11,783
51,450	51,500	11,209	9,057	11,785	10,117	54,450	54,500	12,049	9,897	12,715	10,957	57,450	57,500	12,889	10,737	13,645	11,797
51,500	51,550	11,223	9,071	11,801	10,131	54,500	54,550	12,063	9,911	12,731	10,971	57,500	57,550	12,903	10,751	13,661	11,811
51,550	51,600	11,237	9,085	11,816	10,145	54,550	54,600	12,077	9,925	12,746	10,985	57,550	57,600	12,917	10,765	13,676	11,825
51,600	51,650	11,251	9,099	11,832	10,159	54,600	54,650	12,091	9,939	12,762	10,999	57,600	57,650	12,931	10,779	13,692	11,839
51,650	51,700	11,265	9,113	11,847	10,173	54,650	54,700	12,105	9,953	12,777	11,013	57,650	57,700	12,945	10,793	13,707	11,853
51,700	51,750	11,279	9,127	11,863	10,187	54,700	54,750	12,119	9,967	12,793	11,027	57,700	57,750	12,959	10,807	13,723	11,867
51,750	51,800	11,293	9,141	11,878	10,201	54,750	54,800	12,133	9,981	12,808	11,041	57,750	57,800	12,973	10,821	13,738	11,881
51,800	51,850	11,307	9,155	11,894	10,215	54,800	54,850	12,147	9,995	12,824	11,055	57,800	57,850	12,987	10,835	13,754	11,895
51,850	51,900	11,321	9,169	11,909	10,229	54,850	54,900	12,161	10,009	12,839	11,069	57,850	57,900	13,001	10,849	13,769	11,909
51,900	51,950	11,335	9,183	11,925	10,243	54,900	54,950	12,175	10,023	12,855	11,083	57,900	57,950	13,015	10,863	13,785	11,923
51,950	52,000	11,349	9,197	11,940	10,257	54,950	55,000	12,189	10,037	12,870	11,097	57,950	58,000	13,029	10,877	13,800	11,937
<b>52,000</b>						<b>55,000</b>						<b>58,000</b>					
52,000	52,050	11,363	9,211	11,956	10,271	55,000	55,050	12,203	10,051	12,886	11,111	58,000	58,050	13,043	10,891	13,816	11,951
52,050	52,100	11,377	9,225	11,971	10,285	55,050	55,100	12,217	10,065	12,901	11,125	58,050	58,100	13,057	10,905	13,831	11,965
52,100	52,150	11,391	9,239	11,987	10,299	55,100	55,150	12,231	10,079	12,917	11,139	58,100	58,150	13,071	10,919	13,847	11,979
52,150	52,200	11,405	9,253	12,002	10,313	55,150	55,200	12,245	10,093	12,932	11,153	58,150	58,200	13,085	10,933	13,862	11,993
52,200	52,250	11,419	9,267	12,018	10,327	55,200	55,250	12,259	10,107	12,948	11,167	58,200	58,250	13,099	10,947	13,878	12,007
52,250	52,300	11,433	9,281	12,033	10,341	55,250	55,300	12,273	10,121	12,963	11,181	58,250	58,300	13,113	10,961	13,893	12,021
52,300	52,350	11,447	9,295	12,049	10,355	55,300	55,350	12,287	10,135	12,979	11,195	58,300	58,350	13,127	10,975	13,909	12,035
52,350	52,400	11,461	9,309	12,064	10,369	55,350	55,400	12,301	10,149	12,994	11,209	58,350	58,400	13,141	10,989	13,924	12,049
52,400	52,450	11,475	9,323	12,080	10,383	55,400	55,450	12,315	10,163	13,010	11,223	58,400	58,450	13,155	11,003	13,940	12,063
52,450	52,500	11,489	9,337	12,095	10,397	55,450	55,500	12,329	10,177	13,025	11,237	58,450	58,500	13,169	11,017	13,955	12,077
52,500	52,550	11,503	9,351	12,111	10,411	55,500	55,550	12,343	10,191	13,041	11,251	58,500	58,550	13,183	11,031	13,971	12,091
52,550	52,600	11,517	9,365	12,126	10,425	55,550	55,600	12,357	10,205	13,056	11,265	58,550	58,600	13,197	11,045	13,986	12,105
52,600	52,650	11,531	9,379	12,142	10,439	55,600	55,650	12,371	10,219	13,072	11,279	58,600	58,650	13,211	11,059	14,002	12,119
52,650	52,700	11,545	9,393	12,157	10,453	55,650	55,700	12,385	10,233	13,087	11,293	58,650	58,700	13,225	11,073	14,017	12,133
52,700	52,750	11,559	9,407	12,173	10,467	55,700	55,750	12,399	10,247	13,103	11,307	58,700	58,750	13,239	11,087	14,033	12,147
52,750	52,800	11,573	9,421	12,188	10,481	55,750	55,800	12,413	10,261	13,118	11,321	58,750	58,800	13,253	11,101	14,048	12,161
52,800	52,850	11,587	9,435	12,204	10,495	55,800	55,850	12,427	10,275	13,134	11,335	58,800					

1997 Tax Table—Continued

If line 38 (taxable income) is—		And you are—				If line 38 (taxable income) is—		And you are—				If line 38 (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—			
<b>59,000</b>						<b>62,000</b>						<b>65,000</b>					
59,000	59,050	13,323	11,171	14,126	12,231	62,000	62,050	14,231	12,011	15,056	13,071	65,000	65,050	15,161	12,851	15,986	13,911
59,050	59,100	13,337	11,185	14,141	12,245	62,050	62,100	14,246	12,025	15,071	13,085	65,050	65,100	15,176	12,865	16,001	13,925
59,100	59,150	13,351	11,199	14,157	12,259	62,100	62,150	14,262	12,039	15,087	13,099	65,100	65,150	15,192	12,879	16,017	13,939
59,150	59,200	13,365	11,213	14,172	12,273	62,150	62,200	14,277	12,053	15,102	13,113	65,150	65,200	15,207	12,893	16,032	13,953
59,200	59,250	13,379	11,227	14,188	12,287	62,200	62,250	14,293	12,067	15,118	13,127	65,200	65,250	15,223	12,907	16,048	13,967
59,250	59,300	13,393	11,241	14,203	12,301	62,250	62,300	14,308	12,081	15,133	13,141	65,250	65,300	15,238	12,921	16,063	13,981
59,300	59,350	13,407	11,255	14,219	12,315	62,300	62,350	14,324	12,095	15,149	13,155	65,300	65,350	15,254	12,935	16,079	13,995
59,350	59,400	13,421	11,269	14,234	12,329	62,350	62,400	14,339	12,109	15,164	13,169	65,350	65,400	15,269	12,949	16,094	14,009
59,400	59,450	13,435	11,283	14,250	12,343	62,400	62,450	14,355	12,123	15,180	13,183	65,400	65,450	15,285	12,963	16,110	14,023
59,450	59,500	13,449	11,297	14,265	12,357	62,450	62,500	14,370	12,137	15,195	13,197	65,450	65,500	15,300	12,977	16,125	14,037
59,500	59,550	13,463	11,311	14,281	12,371	62,500	62,550	14,386	12,151	15,211	13,211	65,500	65,550	15,316	12,991	16,141	14,051
59,550	59,600	13,477	11,325	14,296	12,385	62,550	62,600	14,401	12,165	15,226	13,225	65,550	65,600	15,331	13,005	16,156	14,065
59,600	59,650	13,491	11,339	14,312	12,399	62,600	62,650	14,417	12,179	15,242	13,239	65,600	65,650	15,347	13,019	16,172	14,079
59,650	59,700	13,505	11,353	14,327	12,413	62,650	62,700	14,432	12,193	15,257	13,253	65,650	65,700	15,362	13,033	16,187	14,093
59,700	59,750	13,519	11,367	14,343	12,427	62,700	62,750	14,448	12,207	15,273	13,267	65,700	65,750	15,378	13,047	16,203	14,107
59,750	59,800	13,533	11,381	14,358	12,441	62,750	62,800	14,463	12,221	15,288	13,281	65,750	65,800	15,393	13,061	16,218	14,121
59,800	59,850	13,549	11,395	14,374	12,455	62,800	62,850	14,479	12,235	15,304	13,295	65,800	65,850	15,409	13,075	16,234	14,135
59,850	59,900	13,564	11,409	14,389	12,469	62,850	62,900	14,494	12,249	15,319	13,309	65,850	65,900	15,424	13,089	16,249	14,149
59,900	59,950	13,580	11,423	14,405	12,483	62,900	62,950	14,510	12,263	15,335	13,323	65,900	65,950	15,440	13,103	16,265	14,163
59,950	60,000	13,595	11,437	14,420	12,497	62,950	63,000	14,525	12,277	15,350	13,337	65,950	66,000	15,455	13,117	16,280	14,177
<b>60,000</b>						<b>63,000</b>						<b>66,000</b>					
60,000	60,050	13,611	11,451	14,436	12,511	63,000	63,050	14,541	12,291	15,366	13,351	66,000	66,050	15,471	13,131	16,296	14,191
60,050	60,100	13,626	11,465	14,451	12,525	63,050	63,100	14,556	12,305	15,381	13,365	66,050	66,100	15,486	13,145	16,311	14,205
60,100	60,150	13,642	11,479	14,467	12,539	63,100	63,150	14,572	12,319	15,397	13,379	66,100	66,150	15,502	13,159	16,327	14,219
60,150	60,200	13,657	11,493	14,482	12,553	63,150	63,200	14,587	12,333	15,412	13,393	66,150	66,200	15,517	13,173	16,342	14,233
60,200	60,250	13,673	11,507	14,498	12,567	63,200	63,250	14,603	12,347	15,428	13,407	66,200	66,250	15,533	13,187	16,358	14,247
60,250	60,300	13,688	11,521	14,513	12,581	63,250	63,300	14,618	12,361	15,443	13,421	66,250	66,300	15,548	13,201	16,373	14,261
60,300	60,350	13,704	11,535	14,529	12,595	63,300	63,350	14,634	12,375	15,459	13,435	66,300	66,350	15,564	13,215	16,389	14,275
60,350	60,400	13,719	11,549	14,544	12,609	63,350	63,400	14,649	12,389	15,474	13,449	66,350	66,400	15,579	13,229	16,404	14,289
60,400	60,450	13,735	11,563	14,560	12,623	63,400	63,450	14,665	12,403	15,490	13,463	66,400	66,450	15,595	13,243	16,420	14,303
60,450	60,500	13,750	11,577	14,575	12,637	63,450	63,500	14,680	12,417	15,505	13,477	66,450	66,500	15,610	13,257	16,435	14,317
60,500	60,550	13,766	11,591	14,591	12,651	63,500	63,550	14,696	12,431	15,521	13,491	66,500	66,550	15,626	13,271	16,451	14,331
60,550	60,600	13,781	11,605	14,606	12,665	63,550	63,600	14,711	12,445	15,536	13,505	66,550	66,600	15,641	13,285	16,466	14,345
60,600	60,650	13,797	11,619	14,622	12,679	63,600	63,650	14,727	12,459	15,552	13,519	66,600	66,650	15,657	13,299	16,482	14,359
60,650	60,700	13,812	11,633	14,637	12,693	63,650	63,700	14,742	12,473	15,567	13,533	66,650	66,700	15,672	13,313	16,497	14,373
60,700	60,750	13,828	11,647	14,653	12,707	63,700	63,750	14,758	12,487	15,583	13,547	66,700	66,750	15,688	13,327	16,513	14,387
60,750	60,800	13,843	11,661	14,668	12,721	63,750	63,800	14,773	12,501	15,598	13,561	66,750	66,800	15,703	13,341	16,528	14,401
60,800	60,850	13,859	11,675	14,684	12,735	63,800	63,850	14,789	12,515	15,614	13,575	66,800	66,850	15,719	13,355	16,544	14,415
60,850	60,900	13,874	11,689	14,699	12,749	63,850	63,900	14,804	12,529	15,629	13,589	66,850	66,900	15,734	13,369	16,559	14,429
60,900	60,950	13,890	11,703	14,715	12,763	63,900	63,950	14,820	12,543	15,645	13,603	66,900	66,950	15,750	13,383	16,575	14,443
60,950	61,000	13,905	11,717	14,730	12,777	63,950	64,000	14,835	12,557	15,660	13,617	66,950	67,000	15,765	13,397	16,590	14,457
<b>61,000</b>						<b>64,000</b>						<b>67,000</b>					
61,000	61,050	13,921	11,731	14,746	12,791	64,000	64,050	14,851	12,571	15,676	13,631	67,000	67,050	15,781	13,411	16,606	14,471
61,050	61,100	13,936	11,745	14,761	12,805	64,050	64,100	14,866	12,585	15,691	13,645	67,050	67,100	15,796	13,425	16,621	14,485
61,100	61,150	13,952	11,759	14,777	12,819	64,100	64,150	14,882	12,599	15,707	13,659	67,100	67,150	15,812	13,439	16,637	14,499
61,150	61,200	13,967	11,773	14,792	12,833	64,150	64,200	14,897	12,613	15,722	13,673	67,150	67,200	15,827	13,453	16,652	14,513
61,200	61,250	13,983	11,787	14,808	12,847	64,200	64,250	14,913	12,627	15,738	13,687	67,200	67,250	15,843	13,467	16,668	14,527
61,250	61,300	13,998	11,801	14,823	12,861	64,250	64,300	14,928	12,641	15,753	13,701	67,250	67,300	15,858	13,481	16,683	14,541
61,300	61,350	14,014	11,815	14,839	12,875	64,300	64,350	14,944	12,655	15,769	13,715	67,300	67,350	15,874	13,495	16,699	14,555
61,350	61,400	14,029	11,829	14,854	12,889	64,350	64,400	14,959	12,669	15,784	13,729	67,350	67,400	15,889	13,509	16,714	14,569
61,400	61,450	14,045	11,843	14,870	12,903	64,400	64,450	14,975	12,683	15,800	13,743	67,400	67,450	15,905	13,523	16,730	14,583
61,450	61,500	14,060	11,857	14,885	12,917	64,450	64,500	14,990	12,697	15,815	13,757	67,450	67,500	15,920	13,537	16,745	14,597
61,500	61,550	14,076	11,871	14,901	12,931	64,500	64,550	15,006	12,711	15,831	13,771	67,500	67,550	15,936	13,551	16,761	14,611
61,550	61,600	14,091	11,885	14,916	12,945	64,550	64,600	15,021	12,725	15,846	13,785	67,550	67,600	15,951	13,565	16,776	14,625
61,600	61,650	14,107	11,899	14,932	12,959	64,600	64,650	15,037	12,739	15,862	13,799	67,600	67,650	15,967	13,579	16,792	14,639
61,650	61,700	14,122	11,913	14,947	12,973	64,650	64,700	15,052	12,753	15,877	13,813	67,650	67,700	15,982	13,593	16,807	14,653
61,700	61,750	14,138	11,927	14,963	12,987	64,700	64,750	15,068	12,767	15,893	13,827	67,700	67,750	15,998	13,607	16,823	14,667
61,750	61,800	14,153	11,941	14,978	13,001	64,750	64,800	15,083	12,781	15,908	13,841	67,750	67,800	16,013	13,621	16,838	14,681
61,800	61,850	14,169</															

1997 Tax Table—Continued

If line 38 (taxable income) is—		And you are—				If line 38 (taxable income) is—		And you are—				If line 38 (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—			
<b>68,000</b>						<b>71,000</b>						<b>74,000</b>					
68,000	68,050	16,091	13,691	16,916	14,751	71,000	71,050	17,021	14,531	17,846	15,591	74,000	74,050	17,951	15,371	18,776	16,431
68,050	68,100	16,106	13,705	16,931	14,765	71,050	71,100	17,036	14,545	17,861	15,605	74,050	74,100	17,966	15,385	18,791	16,445
68,100	68,150	16,122	13,719	16,947	14,779	71,100	71,150	17,052	14,559	17,877	15,619	74,100	74,150	17,982	15,399	18,807	16,459
68,150	68,200	16,137	13,733	16,962	14,793	71,150	71,200	17,067	14,573	17,892	15,633	74,150	74,200	17,997	15,413	18,822	16,473
68,200	68,250	16,153	13,747	16,978	14,807	71,200	71,250	17,083	14,587	17,908	15,647	74,200	74,250	18,013	15,427	18,838	16,487
68,250	68,300	16,168	13,761	16,993	14,821	71,250	71,300	17,098	14,601	17,923	15,661	74,250	74,300	18,028	15,441	18,853	16,501
68,300	68,350	16,184	13,775	17,009	14,835	71,300	71,350	17,114	14,615	17,939	15,675	74,300	74,350	18,044	15,455	18,869	16,515
68,350	68,400	16,199	13,789	17,024	14,849	71,350	71,400	17,129	14,629	17,954	15,689	74,350	74,400	18,059	15,469	18,884	16,529
68,400	68,450	16,215	13,803	17,040	14,863	71,400	71,450	17,145	14,643	17,970	15,703	74,400	74,450	18,075	15,483	18,900	16,543
68,450	68,500	16,230	13,817	17,055	14,877	71,450	71,500	17,160	14,657	17,985	15,717	74,450	74,500	18,090	15,497	18,915	16,557
68,500	68,550	16,246	13,831	17,071	14,891	71,500	71,550	17,176	14,671	18,001	15,731	74,500	74,550	18,106	15,511	18,931	16,571
68,550	68,600	16,261	13,845	17,086	14,905	71,550	71,600	17,191	14,685	18,016	15,745	74,550	74,600	18,121	15,525	18,946	16,585
68,600	68,650	16,277	13,859	17,102	14,919	71,600	71,650	17,207	14,699	18,032	15,759	74,600	74,650	18,137	15,539	18,962	16,599
68,650	68,700	16,292	13,873	17,117	14,933	71,650	71,700	17,222	14,713	18,047	15,773	74,650	74,700	18,152	15,553	18,977	16,613
68,700	68,750	16,308	13,887	17,133	14,947	71,700	71,750	17,238	14,727	18,063	15,787	74,700	74,750	18,168	15,567	18,993	16,627
68,750	68,800	16,323	13,901	17,148	14,961	71,750	71,800	17,253	14,741	18,078	15,801	74,750	74,800	18,183	15,581	19,008	16,641
68,800	68,850	16,339	13,915	17,164	14,975	71,800	71,850	17,269	14,755	18,094	15,815	74,800	74,850	18,199	15,595	19,024	16,655
68,850	68,900	16,354	13,929	17,179	14,989	71,850	71,900	17,284	14,769	18,109	15,829	74,850	74,900	18,214	15,609	19,039	16,669
68,900	68,950	16,370	13,943	17,195	15,003	71,900	71,950	17,300	14,783	18,125	15,843	74,900	74,950	18,230	15,623	19,055	16,683
68,950	69,000	16,385	13,957	17,210	15,017	71,950	72,000	17,315	14,797	18,140	15,857	74,950	75,000	18,245	15,637	19,070	16,697
<b>69,000</b>						<b>72,000</b>						<b>75,000</b>					
69,000	69,050	16,401	13,971	17,226	15,031	72,000	72,050	17,331	14,811	18,156	15,871	75,000	75,050	18,261	15,651	19,086	16,711
69,050	69,100	16,416	13,985	17,241	15,045	72,050	72,100	17,346	14,825	18,171	15,885	75,050	75,100	18,276	15,665	19,101	16,725
69,100	69,150	16,432	13,999	17,257	15,059	72,100	72,150	17,362	14,839	18,187	15,899	75,100	75,150	18,292	15,679	19,117	16,739
69,150	69,200	16,447	14,013	17,272	15,073	72,150	72,200	17,377	14,853	18,202	15,913	75,150	75,200	18,307	15,693	19,132	16,753
69,200	69,250	16,463	14,027	17,288	15,087	72,200	72,250	17,393	14,867	18,218	15,927	75,200	75,250	18,323	15,707	19,148	16,767
69,250	69,300	16,478	14,041	17,303	15,101	72,250	72,300	17,408	14,881	18,233	15,941	75,250	75,300	18,338	15,721	19,163	16,781
69,300	69,350	16,494	14,055	17,319	15,115	72,300	72,350	17,424	14,895	18,249	15,955	75,300	75,350	18,354	15,735	19,179	16,795
69,350	69,400	16,509	14,069	17,334	15,129	72,350	72,400	17,439	14,909	18,264	15,969	75,350	75,400	18,369	15,749	19,194	16,809
69,400	69,450	16,525	14,083	17,350	15,143	72,400	72,450	17,455	14,923	18,280	15,983	75,400	75,450	18,385	15,763	19,210	16,823
69,450	69,500	16,540	14,097	17,365	15,157	72,450	72,500	17,470	14,937	18,295	15,997	75,450	75,500	18,400	15,777	19,225	16,837
69,500	69,550	16,556	14,111	17,381	15,171	72,500	72,550	17,486	14,951	18,311	16,011	75,500	75,550	18,416	15,791	19,241	16,851
69,550	69,600	16,571	14,125	17,396	15,185	72,550	72,600	17,501	14,965	18,326	16,025	75,550	75,600	18,431	15,805	19,256	16,865
69,600	69,650	16,587	14,139	17,412	15,199	72,600	72,650	17,517	14,979	18,342	16,039	75,600	75,650	18,447	15,819	19,272	16,879
69,650	69,700	16,602	14,153	17,427	15,213	72,650	72,700	17,532	14,993	18,357	16,053	75,650	75,700	18,462	15,833	19,287	16,893
69,700	69,750	16,618	14,167	17,443	15,227	72,700	72,750	17,548	15,007	18,373	16,067	75,700	75,750	18,478	15,847	19,303	16,907
69,750	69,800	16,633	14,181	17,458	15,241	72,750	72,800	17,563	15,021	18,388	16,081	75,750	75,800	18,493	15,861	19,318	16,921
69,800	69,850	16,649	14,195	17,474	15,255	72,800	72,850	17,579	15,035	18,404	16,095	75,800	75,850	18,509	15,875	19,334	16,935
69,850	69,900	16,664	14,209	17,489	15,269	72,850	72,900	17,594	15,049	18,419	16,109	75,850	75,900	18,524	15,889	19,349	16,949
69,900	69,950	16,680	14,223	17,505	15,283	72,900	72,950	17,610	15,063	18,435	16,123	75,900	75,950	18,540	15,903	19,367	16,963
69,950	70,000	16,695	14,237	17,520	15,297	72,950	73,000	17,625	15,077	18,450	16,137	75,950	76,000	18,555	15,917	19,385	16,977
<b>70,000</b>						<b>73,000</b>						<b>76,000</b>					
70,000	70,050	16,711	14,251	17,536	15,311	73,000	73,050	17,641	15,091	18,466	16,151	76,000	76,050	18,571	15,931	19,403	16,991
70,050	70,100	16,726	14,265	17,551	15,325	73,050	73,100	17,656	15,105	18,481	16,165	76,050	76,100	18,586	15,945	19,421	17,005
70,100	70,150	16,742	14,279	17,567	15,339	73,100	73,150	17,672	15,119	18,497	16,179	76,100	76,150	18,602	15,959	19,439	17,019
70,150	70,200	16,757	14,293	17,582	15,353	73,150	73,200	17,687	15,133	18,512	16,193	76,150	76,200	18,617	15,973	19,457	17,033
70,200	70,250	16,773	14,307	17,598	15,367	73,200	73,250	17,703	15,147	18,528	16,207	76,200	76,250	18,633	15,987	19,475	17,047
70,250	70,300	16,788	14,321	17,613	15,381	73,250	73,300	17,718	15,161	18,543	16,221	76,250	76,300	18,648	16,001	19,493	17,061
70,300	70,350	16,804	14,335	17,629	15,395	73,300	73,350	17,734	15,175	18,559	16,235	76,300	76,350	18,664	16,015	19,511	17,075
70,350	70,400	16,819	14,349	17,644	15,409	73,350	73,400	17,749	15,189	18,574	16,249	76,350	76,400	18,679	16,029	19,529	17,089
70,400	70,450	16,835	14,363	17,660	15,423	73,400	73,450	17,765	15,203	18,590	16,263	76,400	76,450	18,695	16,043	19,547	17,103
70,450	70,500	16,850	14,377	17,675	15,437	73,450	73,500	17,780	15,217	18,605	16,277	76,450	76,500	18,710	16,057	19,565	17,117
70,500	70,550	16,866	14,391	17,691	15,451	73,500	73,550	17,796	15,231	18,621	16,291	76,500	76,550	18,726	16,071	19,583	17,131
70,550	70,600	16,881	14,405	17,706	15,465	73,550	73,600	17,811	15,245	18,636	16,305	76,550	76,600	18,741	16,085	19,601	17,145
70,600	70,650	16,897	14,419	17,722	15,479	73,600	73,650	17,827	15,259	18,652	16,319	76,600	76,650	18,757	16,099	19,619	17,159
70,650	70,700	16,912	14,433	17,737	15,493	73,650	73,700	17,842	15,273	18,667	16,333	76,650	76,700	18,772	16,113	19,637	17,173
70,700	70,750	16,928	14,447	17,753	15,507	73,700	73,750	17,858	15,287	18,683	16,347	76,700	76,750	18,788	16,127	19,655	17,187
70,750	70,800	16,943	14,461	17,768	15,521	73,750	73,800	17,873	15,301	18,698	16,361	76,750	76,800	18,803	16,141	19,673	17,201
70,800	70,850	16,959</															

1997 Tax Table—Continued

If line 38 (taxable income) is—		And you are—				If line 38 (taxable income) is—		And you are—				If line 38 (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—			
<b>77,000</b>						<b>80,000</b>						<b>83,000</b>					
77,000	77,050	18,881	16,211	19,763	17,271	80,000	80,050	19,811	17,051	20,843	18,111	83,000	83,050	20,741	17,891	21,923	18,951
77,050	77,100	18,896	16,225	19,781	17,285	80,050	80,100	19,826	17,065	20,861	18,125	83,050	83,100	20,756	17,905	21,941	18,965
77,100	77,150	18,912	16,239	19,799	17,299	80,100	80,150	19,842	17,079	20,879	18,139	83,100	83,150	20,772	17,919	21,959	18,979
77,150	77,200	18,927	16,253	19,817	17,313	80,150	80,200	19,857	17,093	20,897	18,153	83,150	83,200	20,787	17,933	21,977	18,993
77,200	77,250	18,943	16,267	19,835	17,327	80,200	80,250	19,873	17,107	20,915	18,167	83,200	83,250	20,803	17,947	21,995	19,007
77,250	77,300	18,958	16,281	19,853	17,341	80,250	80,300	19,888	17,121	20,933	18,181	83,250	83,300	20,818	17,961	22,013	19,021
77,300	77,350	18,974	16,295	19,871	17,355	80,300	80,350	19,904	17,135	20,951	18,195	83,300	83,350	20,834	17,975	22,031	19,035
77,350	77,400	18,989	16,309	19,889	17,369	80,350	80,400	19,919	17,149	20,969	18,209	83,350	83,400	20,849	17,989	22,049	19,049
77,400	77,450	19,005	16,323	19,907	17,383	80,400	80,450	19,935	17,163	20,987	18,223	83,400	83,450	20,865	18,003	22,067	19,063
77,450	77,500	19,020	16,337	19,925	17,397	80,450	80,500	19,950	17,177	21,005	18,237	83,450	83,500	20,880	18,017	22,085	19,077
77,500	77,550	19,036	16,351	19,943	17,411	80,500	80,550	19,966	17,191	21,023	18,251	83,500	83,550	20,896	18,031	22,103	19,091
77,550	77,600	19,051	16,365	19,961	17,425	80,550	80,600	19,981	17,205	21,041	18,265	83,550	83,600	20,911	18,045	22,121	19,105
77,600	77,650	19,067	16,379	19,979	17,439	80,600	80,650	19,997	17,219	21,059	18,279	83,600	83,650	20,927	18,059	22,139	19,119
77,650	77,700	19,082	16,393	19,997	17,453	80,650	80,700	20,012	17,233	21,077	18,293	83,650	83,700	20,942	18,073	22,157	19,133
77,700	77,750	19,098	16,407	20,015	17,467	80,700	80,750	20,028	17,247	21,095	18,307	83,700	83,750	20,958	18,087	22,175	19,147
77,750	77,800	19,113	16,421	20,033	17,481	80,750	80,800	20,043	17,261	21,113	18,321	83,750	83,800	20,973	18,101	22,193	19,161
77,800	77,850	19,129	16,435	20,051	17,495	80,800	80,850	20,059	17,275	21,131	18,335	83,800	83,850	20,989	18,115	22,211	19,175
77,850	77,900	19,144	16,449	20,069	17,509	80,850	80,900	20,074	17,289	21,149	18,349	83,850	83,900	21,004	18,129	22,229	19,189
77,900	77,950	19,160	16,463	20,087	17,523	80,900	80,950	20,090	17,303	21,167	18,363	83,900	83,950	21,020	18,143	22,247	19,203
77,950	78,000	19,175	16,477	20,105	17,537	80,950	81,000	20,105	17,317	21,185	18,377	83,950	84,000	21,035	18,157	22,265	19,217
<b>78,000</b>						<b>81,000</b>						<b>84,000</b>					
78,000	78,050	19,191	16,491	20,123	17,551	81,000	81,050	20,121	17,331	21,203	18,391	84,000	84,050	21,051	18,171	22,283	19,231
78,050	78,100	19,206	16,505	20,141	17,565	81,050	81,100	20,136	17,345	21,221	18,405	84,050	84,100	21,066	18,185	22,301	19,245
78,100	78,150	19,222	16,519	20,159	17,579	81,100	81,150	20,152	17,359	21,239	18,419	84,100	84,150	21,082	18,199	22,319	19,259
78,150	78,200	19,237	16,533	20,177	17,593	81,150	81,200	20,167	17,373	21,257	18,433	84,150	84,200	21,097	18,213	22,337	19,273
78,200	78,250	19,253	16,547	20,195	17,607	81,200	81,250	20,183	17,387	21,275	18,447	84,200	84,250	21,113	18,227	22,355	19,287
78,250	78,300	19,268	16,561	20,213	17,621	81,250	81,300	20,198	17,401	21,293	18,461	84,250	84,300	21,128	18,241	22,373	19,301
78,300	78,350	19,284	16,575	20,231	17,635	81,300	81,350	20,214	17,415	21,311	18,475	84,300	84,350	21,144	18,255	22,391	19,315
78,350	78,400	19,299	16,589	20,249	17,649	81,350	81,400	20,229	17,429	21,329	18,489	84,350	84,400	21,159	18,269	22,409	19,329
78,400	78,450	19,315	16,603	20,267	17,663	81,400	81,450	20,245	17,443	21,347	18,503	84,400	84,450	21,175	18,283	22,427	19,343
78,450	78,500	19,330	16,617	20,285	17,677	81,450	81,500	20,260	17,457	21,365	18,517	84,450	84,500	21,190	18,297	22,445	19,357
78,500	78,550	19,346	16,631	20,303	17,691	81,500	81,550	20,276	17,471	21,383	18,531	84,500	84,550	21,206	18,311	22,463	19,371
78,550	78,600	19,361	16,645	20,321	17,705	81,550	81,600	20,291	17,485	21,401	18,545	84,550	84,600	21,221	18,325	22,481	19,385
78,600	78,650	19,377	16,659	20,339	17,719	81,600	81,650	20,307	17,499	21,419	18,559	84,600	84,650	21,237	18,339	22,499	19,399
78,650	78,700	19,392	16,673	20,357	17,733	81,650	81,700	20,322	17,513	21,437	18,573	84,650	84,700	21,252	18,353	22,517	19,413
78,700	78,750	19,408	16,687	20,375	17,747	81,700	81,750	20,338	17,527	21,455	18,587	84,700	84,750	21,268	18,367	22,535	19,427
78,750	78,800	19,423	16,701	20,393	17,761	81,750	81,800	20,353	17,541	21,473	18,601	84,750	84,800	21,283	18,381	22,553	19,441
78,800	78,850	19,439	16,715	20,411	17,775	81,800	81,850	20,369	17,555	21,491	18,615	84,800	84,850	21,299	18,395	22,571	19,455
78,850	78,900	19,454	16,729	20,429	17,789	81,850	81,900	20,384	17,569	21,509	18,629	84,850	84,900	21,314	18,409	22,589	19,469
78,900	78,950	19,470	16,743	20,447	17,803	81,900	81,950	20,400	17,583	21,527	18,643	84,900	84,950	21,330	18,423	22,607	19,483
78,950	79,000	19,485	16,757	20,465	17,817	81,950	82,000	20,415	17,597	21,545	18,657	84,950	85,000	21,345	18,437	22,625	19,497
<b>79,000</b>						<b>82,000</b>						<b>85,000</b>					
79,000	79,050	19,501	16,771	20,483	17,831	82,000	82,050	20,431	17,611	21,563	18,671	85,000	85,050	21,361	18,451	22,643	19,511
79,050	79,100	19,516	16,785	20,501	17,845	82,050	82,100	20,446	17,625	21,581	18,685	85,050	85,100	21,376	18,465	22,661	19,525
79,100	79,150	19,532	16,799	20,519	17,859	82,100	82,150	20,462	17,639	21,599	18,699	85,100	85,150	21,392	18,479	22,679	19,539
79,150	79,200	19,547	16,813	20,537	17,873	82,150	82,200	20,477	17,653	21,617	18,713	85,150	85,200	21,407	18,493	22,697	19,553
79,200	79,250	19,563	16,827	20,555	17,887	82,200	82,250	20,493	17,667	21,635	18,727	85,200	85,250	21,423	18,507	22,715	19,567
79,250	79,300	19,578	16,841	20,573	17,901	82,250	82,300	20,508	17,681	21,653	18,741	85,250	85,300	21,438	18,521	22,733	19,581
79,300	79,350	19,594	16,855	20,591	17,915	82,300	82,350	20,524	17,695	21,671	18,755	85,300	85,350	21,454	18,535	22,751	19,595
79,350	79,400	19,609	16,869	20,609	17,929	82,350	82,400	20,539	17,709	21,689	18,769	85,350	85,400	21,469	18,549	22,769	19,609
79,400	79,450	19,625	16,883	20,627	17,943	82,400	82,450	20,555	17,723	21,707	18,783	85,400	85,450	21,485	18,563	22,787	19,625
79,450	79,500	19,640	16,897	20,645	17,957	82,450	82,500	20,570	17,737	21,725	18,797	85,450	85,500	21,500	18,577	22,805	19,640
79,500	79,550	19,656	16,911	20,663	17,971	82,500	82,550	20,586	17,751	21,743	18,811	85,500	85,550	21,516	18,591	22,823	19,656
79,550	79,600	19,671	16,925	20,681	17,985	82,550	82,600	20,601	17,765	21,761	18,825	85,550	85,600	21,531	18,605	22,841	19,671
79,600	79,650	19,687	16,939	20,699	17,999	82,600	82,650	20,617	17,779	21,779	18,839	85,600	85,650	21,547	18,619	22,859	19,687
79,650	79,700	19,702	16,953	20,717	18,013	82,650	82,700	20,632	17,793	21,797	18,853	85,650	85,700	21,562	18,633	22,877	19,702
79,700	79,750	19,718	16,967	20,735	18,027	82,700	82,750	20,648	17,807	21,815	18,867	85,700	85,750	21,578	18,647	22,895	19,718
79,750	79,800	19,733	16,981	20,753	18,041	82,750	82,800	20,663	17,821	21,833	18,881	85,750	85,800	21,593	18,661	22,913	19,733
79,800	79,850	19,749</															



1997 Tax Table—Continued

If line 38 (taxable income) is—		And you are—				If line 38 (taxable income) is—		And you are—				If line 38 (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—			
<b>86,000</b>						<b>89,000</b>						<b>92,000</b>					
86,000	86,050	21,671	18,731	23,003	19,811	89,000	89,050	22,601	19,571	24,083	20,741	92,000	92,050	23,531	20,411	25,163	21,671
86,050	86,100	21,686	18,745	23,021	19,826	89,050	89,100	22,616	19,585	24,101	20,756	92,050	92,100	23,546	20,425	25,181	21,686
86,100	86,150	21,702	18,759	23,039	19,842	89,100	89,150	22,632	19,599	24,119	20,772	92,100	92,150	23,562	20,439	25,199	21,702
86,150	86,200	21,717	18,773	23,057	19,857	89,150	89,200	22,647	19,613	24,137	20,787	92,150	92,200	23,577	20,453	25,217	21,717
86,200	86,250	21,733	18,787	23,075	19,873	89,200	89,250	22,663	19,627	24,155	20,803	92,200	92,250	23,593	20,467	25,235	21,733
86,250	86,300	21,748	18,801	23,093	19,888	89,250	89,300	22,678	19,641	24,173	20,818	92,250	92,300	23,608	20,481	25,253	21,748
86,300	86,350	21,764	18,815	23,111	19,904	89,300	89,350	22,694	19,655	24,191	20,834	92,300	92,350	23,624	20,495	25,271	21,764
86,350	86,400	21,779	18,829	23,129	19,919	89,350	89,400	22,709	19,669	24,209	20,849	92,350	92,400	23,639	20,509	25,289	21,779
86,400	86,450	21,795	18,843	23,147	19,935	89,400	89,450	22,725	19,683	24,227	20,865	92,400	92,450	23,655	20,523	25,307	21,795
86,450	86,500	21,810	18,857	23,165	19,950	89,450	89,500	22,740	19,697	24,245	20,880	92,450	92,500	23,670	20,537	25,325	21,810
86,500	86,550	21,826	18,871	23,183	19,966	89,500	89,550	22,756	19,711	24,263	20,896	92,500	92,550	23,686	20,551	25,343	21,826
86,550	86,600	21,841	18,885	23,201	19,981	89,550	89,600	22,771	19,725	24,281	20,911	92,550	92,600	23,701	20,565	25,361	21,841
86,600	86,650	21,857	18,899	23,219	19,997	89,600	89,650	22,787	19,739	24,299	20,927	92,600	92,650	23,717	20,579	25,379	21,857
86,650	86,700	21,872	18,913	23,237	20,012	89,650	89,700	22,802	19,753	24,317	20,942	92,650	92,700	23,732	20,593	25,397	21,872
86,700	86,750	21,888	18,927	23,255	20,028	89,700	89,750	22,818	19,767	24,335	20,958	92,700	92,750	23,748	20,607	25,415	21,888
86,750	86,800	21,903	18,941	23,273	20,043	89,750	89,800	22,833	19,781	24,353	20,973	92,750	92,800	23,763	20,621	25,433	21,903
86,800	86,850	21,919	18,955	23,291	20,059	89,800	89,850	22,849	19,795	24,371	20,989	92,800	92,850	23,779	20,635	25,451	21,919
86,850	86,900	21,934	18,969	23,309	20,074	89,850	89,900	22,864	19,809	24,389	21,004	92,850	92,900	23,794	20,649	25,469	21,934
86,900	86,950	21,950	18,983	23,327	20,090	89,900	89,950	22,880	19,823	24,407	21,020	92,900	92,950	23,810	20,663	25,487	21,950
86,950	87,000	21,965	18,997	23,345	20,105	89,950	90,000	22,895	19,837	24,425	21,035	92,950	93,000	23,825	20,677	25,505	21,965
<b>87,000</b>						<b>90,000</b>						<b>93,000</b>					
87,000	87,050	21,981	19,011	23,363	20,121	90,000	90,050	22,911	19,851	24,443	21,051	93,000	93,050	23,841	20,691	25,523	21,981
87,050	87,100	21,996	19,025	23,381	20,136	90,050	90,100	22,926	19,865	24,461	21,066	93,050	93,100	23,856	20,705	25,541	21,996
87,100	87,150	22,012	19,039	23,399	20,152	90,100	90,150	22,942	19,879	24,479	21,082	93,100	93,150	23,872	20,719	25,559	22,012
87,150	87,200	22,027	19,053	23,417	20,167	90,150	90,200	22,957	19,893	24,497	21,097	93,150	93,200	23,887	20,733	25,577	22,027
87,200	87,250	22,043	19,067	23,435	20,183	90,200	90,250	22,973	19,907	24,515	21,113	93,200	93,250	23,903	20,747	25,595	22,043
87,250	87,300	22,058	19,081	23,453	20,198	90,250	90,300	22,988	19,921	24,533	21,128	93,250	93,300	23,918	20,761	25,613	22,058
87,300	87,350	22,074	19,095	23,471	20,214	90,300	90,350	23,004	19,935	24,551	21,144	93,300	93,350	23,934	20,775	25,631	22,074
87,350	87,400	22,089	19,109	23,489	20,229	90,350	90,400	23,019	19,949	24,569	21,159	93,350	93,400	23,949	20,789	25,649	22,089
87,400	87,450	22,105	19,123	23,507	20,245	90,400	90,450	23,035	19,963	24,587	21,175	93,400	93,450	23,965	20,803	25,667	22,105
87,450	87,500	22,120	19,137	23,525	20,260	90,450	90,500	23,050	19,977	24,605	21,190	93,450	93,500	23,980	20,817	25,685	22,120
87,500	87,550	22,136	19,151	23,543	20,276	90,500	90,550	23,066	19,991	24,623	21,206	93,500	93,550	23,996	20,831	25,703	22,136
87,550	87,600	22,151	19,165	23,561	20,291	90,550	90,600	23,081	20,005	24,641	21,221	93,550	93,600	24,011	20,845	25,721	22,151
87,600	87,650	22,167	19,179	23,579	20,307	90,600	90,650	23,097	20,019	24,659	21,237	93,600	93,650	24,027	20,859	25,739	22,167
87,650	87,700	22,182	19,193	23,597	20,322	90,650	90,700	23,112	20,033	24,677	21,252	93,650	93,700	24,042	20,873	25,757	22,182
87,700	87,750	22,198	19,207	23,615	20,338	90,700	90,750	23,128	20,047	24,695	21,268	93,700	93,750	24,058	20,887	25,775	22,198
87,750	87,800	22,213	19,221	23,633	20,353	90,750	90,800	23,143	20,061	24,713	21,283	93,750	93,800	24,073	20,901	25,793	22,213
87,800	87,850	22,229	19,235	23,651	20,369	90,800	90,850	23,159	20,075	24,731	21,299	93,800	93,850	24,089	20,915	25,811	22,229
87,850	87,900	22,244	19,249	23,669	20,384	90,850	90,900	23,174	20,089	24,749	21,314	93,850	93,900	24,104	20,929	25,829	22,244
87,900	87,950	22,260	19,263	23,687	20,400	90,900	90,950	23,190	20,103	24,767	21,330	93,900	93,950	24,120	20,943	25,847	22,260
87,950	88,000	22,275	19,277	23,705	20,415	90,950	91,000	23,205	20,117	24,785	21,345	93,950	94,000	24,135	20,957	25,865	22,275
<b>88,000</b>						<b>91,000</b>						<b>94,000</b>					
88,000	88,050	22,291	19,291	23,723	20,431	91,000	91,050	23,221	20,131	24,803	21,361	94,000	94,050	24,151	20,971	25,883	22,291
88,050	88,100	22,306	19,305	23,741	20,446	91,050	91,100	23,236	20,145	24,821	21,376	94,050	94,100	24,166	20,985	25,901	22,306
88,100	88,150	22,322	19,319	23,759	20,462	91,100	91,150	23,252	20,159	24,839	21,392	94,100	94,150	24,182	20,999	25,919	22,322
88,150	88,200	22,337	19,333	23,777	20,477	91,150	91,200	23,267	20,173	24,857	21,407	94,150	94,200	24,197	21,013	25,937	22,337
88,200	88,250	22,353	19,347	23,795	20,493	91,200	91,250	23,283	20,187	24,875	21,423	94,200	94,250	24,213	21,027	25,955	22,353
88,250	88,300	22,368	19,361	23,813	20,508	91,250	91,300	23,298	20,201	24,893	21,438	94,250	94,300	24,228	21,041	25,973	22,368
88,300	88,350	22,384	19,375	23,831	20,524	91,300	91,350	23,314	20,215	24,911	21,454	94,300	94,350	24,244	21,055	25,991	22,384
88,350	88,400	22,399	19,389	23,849	20,539	91,350	91,400	23,329	20,229	24,929	21,469	94,350	94,400	24,259	21,069	26,009	22,399
88,400	88,450	22,415	19,403	23,867	20,555	91,400	91,450	23,345	20,243	24,947	21,485	94,400	94,450	24,275	21,083	26,027	22,415
88,450	88,500	22,430	19,417	23,885	20,570	91,450	91,500	23,360	20,257	24,965	21,500	94,450	94,500	24,290	21,097	26,045	22,430
88,500	88,550	22,446	19,431	23,903	20,586	91,500	91,550	23,376	20,271	24,983	21,516	94,500	94,550	24,306	21,111	26,063	22,446
88,550	88,600	22,461	19,445	23,921	20,601	91,550	91,600	23,391	20,285	25,001	21,531	94,550	94,600	24,321	21,125	26,081	22,461
88,600	88,650	22,477	19,459	23,939	20,617	91,600	91,650	23,407	20,299	25,019	21,547	94,600	94,650	24,337	21,139	26,099	22,477
88,650	88,700	22,492	19,473	23,957	20,632	91,650	91,700	23,422	20,313	25,037	21,562	94,650	94,700	24,352	21,153	26,117	22,492
88,700	88,750	22,508	19,487	23,975	20,648	91,700	91,750	23,438	20,327	25,055	21,578	94,700	94,750	24,368	21,167	26,135	22,508
88,750	88,800	22,523	19,501	23,993	20,663	91,750	91,800	23,453	20,341	25,073	21,593	94,750	94,800	24,383	21,181	26,153	22,523
88,800	88,850	22,539</															

1997 Tax Table—Continued

If line 38 (taxable income) is—		And you are—				If line 38 (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
		Your tax is—						Your tax is—			
<b>95,000</b>						<b>98,000</b>					
95,000	95,050	24,461	21,251	26,243	22,601	98,000	98,050	25,391	22,091	27,323	23,531
95,050	95,100	24,476	21,265	26,261	22,616	98,050	98,100	25,406	22,105	27,341	23,546
95,100	95,150	24,492	21,279	26,279	22,632	98,100	98,150	25,422	22,119	27,359	23,562
95,150	95,200	24,507	21,293	26,297	22,647	98,150	98,200	25,437	22,133	27,377	23,577
95,200	95,250	24,523	21,307	26,315	22,663	98,200	98,250	25,453	22,147	27,395	23,593
95,250	95,300	24,538	21,321	26,333	22,678	98,250	98,300	25,468	22,161	27,413	23,608
95,300	95,350	24,554	21,335	26,351	22,694	98,300	98,350	25,484	22,175	27,431	23,624
95,350	95,400	24,569	21,349	26,369	22,709	98,350	98,400	25,499	22,189	27,449	23,639
95,400	95,450	24,585	21,363	26,387	22,725	98,400	98,450	25,515	22,203	27,467	23,655
95,450	95,500	24,600	21,377	26,405	22,740	98,450	98,500	25,530	22,217	27,485	23,670
95,500	95,550	24,616	21,391	26,423	22,756	98,500	98,550	25,546	22,231	27,503	23,686
95,550	95,600	24,631	21,405	26,441	22,771	98,550	98,600	25,561	22,245	27,521	23,701
95,600	95,650	24,647	21,419	26,459	22,787	98,600	98,650	25,577	22,259	27,539	23,717
95,650	95,700	24,662	21,433	26,477	22,802	98,650	98,700	25,592	22,273	27,557	23,732
95,700	95,750	24,678	21,447	26,495	22,818	98,700	98,750	25,608	22,287	27,575	23,748
95,750	95,800	24,693	21,461	26,513	22,833	98,750	98,800	25,623	22,301	27,593	23,763
95,800	95,850	24,709	21,475	26,531	22,849	98,800	98,850	25,639	22,315	27,611	23,779
95,850	95,900	24,724	21,489	26,549	22,864	98,850	98,900	25,654	22,329	27,629	23,794
95,900	95,950	24,740	21,503	26,567	22,880	98,900	98,950	25,670	22,343	27,647	23,810
95,950	96,000	24,755	21,517	26,585	22,895	98,950	99,000	25,685	22,357	27,665	23,825
<b>96,000</b>						<b>99,000</b>					
96,000	96,050	24,771	21,531	26,603	22,911	99,000	99,050	25,701	22,371	27,683	23,841
96,050	96,100	24,786	21,545	26,621	22,926	99,050	99,100	25,716	22,385	27,701	23,856
96,100	96,150	24,802	21,559	26,639	22,942	99,100	99,150	25,732	22,399	27,719	23,872
96,150	96,200	24,817	21,573	26,657	22,957	99,150	99,200	25,747	22,413	27,737	23,887
96,200	96,250	24,833	21,587	26,675	22,973	99,200	99,250	25,763	22,427	27,755	23,903
96,250	96,300	24,848	21,601	26,693	22,988	99,250	99,300	25,778	22,441	27,773	23,918
96,300	96,350	24,864	21,615	26,711	23,004	99,300	99,350	25,794	22,455	27,791	23,934
96,350	96,400	24,879	21,629	26,729	23,019	99,350	99,400	25,809	22,469	27,809	23,949
96,400	96,450	24,895	21,643	26,747	23,035	99,400	99,450	25,825	22,483	27,827	23,965
96,450	96,500	24,910	21,657	26,765	23,050	99,450	99,500	25,840	22,497	27,845	23,980
96,500	96,550	24,926	21,671	26,783	23,066	99,500	99,550	25,856	22,511	27,863	23,996
96,550	96,600	24,941	21,685	26,801	23,081	99,550	99,600	25,871	22,525	27,881	24,011
96,600	96,650	24,957	21,699	26,819	23,097	99,600	99,650	25,887	22,540	27,899	24,027
96,650	96,700	24,972	21,713	26,837	23,112	99,650	99,700	25,902	22,555	27,917	24,042
96,700	96,750	24,988	21,727	26,855	23,128	99,700	99,750	25,918	22,571	27,935	24,058
96,750	96,800	25,003	21,741	26,873	23,143	99,750	99,800	25,933	22,586	27,953	24,073
96,800	96,850	25,019	21,755	26,891	23,159	99,800	99,850	25,949	22,602	27,971	24,089
96,850	96,900	25,034	21,769	26,909	23,174	99,850	99,900	25,964	22,617	27,989	24,104
96,900	96,950	25,050	21,783	26,927	23,190	99,900	99,950	25,980	22,633	28,007	24,120
96,950	97,000	25,065	21,797	26,945	23,205	99,950	100,000	25,995	22,648	28,025	24,135
<b>97,000</b>						<div style="border: 1px solid black; border-radius: 50%; padding: 20px; width: fit-content; margin: 0 auto;"> <p><b>\$100,000</b> or over — use the Tax Rate Schedules on page 51</p> </div>					
97,000	97,050	25,081	21,811	26,963	23,221						
97,050	97,100	25,096	21,825	26,981	23,236						
97,100	97,150	25,112	21,839	26,999	23,252						
97,150	97,200	25,127	21,853	27,017	23,267						
97,200	97,250	25,143	21,867	27,035	23,283						
97,250	97,300	25,158	21,881	27,053	23,298						
97,300	97,350	25,174	21,895	27,071	23,314						
97,350	97,400	25,189	21,909	27,089	23,329						
97,400	97,450	25,205	21,923	27,107	23,345						
97,450	97,500	25,220	21,937	27,125	23,360						
97,500	97,550	25,236	21,951	27,143	23,376						
97,550	97,600	25,251	21,965	27,161	23,391						
97,600	97,650	25,267	21,979	27,179	23,407						
97,650	97,700	25,282	21,993	27,197	23,422						
97,700	97,750	25,298	22,007	27,215	23,438						
97,750	97,800	25,313	22,021	27,233	23,453						
97,800	97,850	25,329	22,035	27,251	23,469						
97,850	97,900	25,344	22,049	27,269	23,484						
97,900	97,950	25,360	22,063	27,287	23,500						
97,950	98,000	25,375	22,077	27,305	23,515						

\* This column must also be used by a qualifying widow(er).

# 1997 Tax Rate Schedules

**Caution:** Use **only** if your taxable income (Form 1040, line 38) is \$100,000 or more. If less, use the **Tax Table**. Even though you cannot use the Tax Rate Schedules below if your taxable income is less than \$100,000, all levels of taxable income are shown so taxpayers can see the tax rate that applies to each level.

## Schedule X—Use if your filing status is **Single**

If the amount on Form 1040, line 38, is: <i>Over—</i>	<i>But not over—</i>	Enter on Form 1040, line 39	<i>of the amount over—</i>
\$0	\$24,650	..... 15%	<b>\$0</b>
24,650	59,750	<b>\$3,697.50 + 28%</b>	<b>24,650</b>
59,750	124,650	<b>13,525.50 + 31%</b>	<b>59,750</b>
124,650	271,050	<b>33,644.50 + 36%</b>	<b>124,650</b>
271,050	.....	<b>86,348.50 + 39.6%</b>	<b>271,050</b>

## Schedule Y-1—Use if your filing status is **Married filing jointly** or **Qualifying widow(er)**

If the amount on Form 1040, line 38, is: <i>Over—</i>	<i>But not over—</i>	Enter on Form 1040, line 39	<i>of the amount over—</i>
\$0	\$41,200	..... 15%	<b>\$0</b>
41,200	99,600	<b>\$6,180.00 + 28%</b>	<b>41,200</b>
99,600	151,750	<b>22,532.00 + 31%</b>	<b>99,600</b>
151,750	271,050	<b>38,698.50 + 36%</b>	<b>151,750</b>
271,050	.....	<b>81,646.50 + 39.6%</b>	<b>271,050</b>

## Schedule Y-2—Use if your filing status is **Married filing separately**

If the amount on Form 1040, line 38, is: <i>Over—</i>	<i>But not over—</i>	Enter on Form 1040, line 39	<i>of the amount over—</i>
\$0	\$20,600	..... 15%	<b>\$0</b>
20,600	49,800	<b>\$3,090.00 + 28%</b>	<b>20,600</b>
49,800	75,875	<b>11,266.00 + 31%</b>	<b>49,800</b>
75,875	135,525	<b>19,349.25 + 36%</b>	<b>75,875</b>
135,525	.....	<b>40,823.25 + 39.6%</b>	<b>135,525</b>

## Schedule Z—Use if your filing status is **Head of household**

If the amount on Form 1040, line 38, is: <i>Over—</i>	<i>But not over—</i>	Enter on Form 1040, line 39	<i>of the amount over—</i>
\$0	\$33,050	..... 15%	<b>\$0</b>
33,050	85,350	<b>\$4,957.50 + 28%</b>	<b>33,050</b>
85,350	138,200	<b>19,601.50 + 31%</b>	<b>85,350</b>
138,200	271,050	<b>35,985.00 + 36%</b>	<b>138,200</b>
271,050	.....	<b>83,811.00 + 39.6%</b>	<b>271,050</b>

# Instructions for Schedules to Form 1040

## Instructions for Schedule A, Itemized Deductions

Use Schedule A to figure your itemized deductions. Your Federal income tax will be less if you take the **larger** of your itemized deductions or your standard deduction.

If you itemize, you may deduct a part of your medical and dental expenses and unreimbursed employee business expenses, and amounts you paid for certain taxes, interest, contributions, and miscellaneous expenses. You may also deduct certain casualty and theft losses.

**Caution:** Do not include on Schedule A items deducted elsewhere, such as on Schedule C, C-EZ, E, or F.

### Medical and Dental Expenses

You may deduct only the part of your medical and dental expenses that exceeds 7.5% of the amount on Form 1040, line 33.

**Pub. 502** discusses the types of expenses that may and may not be deducted. It also explains when you may deduct capital expenses and special care expenses for disabled persons.

**Caution:** If you received a distribution from your medical savings account in 1997, see Pub. 969 to figure your deduction.

#### 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 or insulin.
- Medical doctors, osteopathic doctors, dentists, eye doctors, chiropractors, 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 (including your share of the employment taxes paid). If you paid 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.
- Qualified long-term care services (see Pub. 502).
- The supplemental part of Medicare insurance (Medicare B).
- Medical treatment at a center for drug or alcohol addiction.
- Medical aids such as eyeglasses, contact lenses, hearing aids, braces, crutches, wheelchairs, and guide dogs, including the cost of maintaining them.
- Lodging expenses (but not meals) while away from home to receive medical care in a hospital or a medical care facility

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 **10 cents a mile**. Add parking and tolls to the amount you claim under either method.

**Note:** Certain medical expenses paid out of a deceased taxpayer's estate may be claimed on the deceased taxpayer's final return. See Pub. 502 for details.

#### Examples of Medical and Dental Payments You May Not Deduct

• The basic cost of Medicare insurance (Medicare A).

**TIP** If you were 65 or older but not entitled to social security benefits, you may deduct premiums you voluntarily paid for Medicare A coverage.

• Cosmetic surgery unless it was necessary to improve a deformity related to a congenital abnormality, an injury from an accident or trauma, or a disfiguring disease.

• Life insurance or income protection policies.

• The Medicare tax on your wages and tips or the Medicare tax paid as part of the self-employment tax or household employment taxes.

• Nursing care for a healthy baby. But you may be able to take a credit. See the instructions for Form 1040, line 40.

• Illegal operations or drugs.

• Nonprescription medicines.

• Travel your doctor told you to take for rest or a change.

• Funeral, burial, or cremation costs.

### Line 1

#### Medical and Dental Expenses

Enter the total of your medical and dental expenses, after you reduce these expenses by any payments received from insurance or other sources. See **Reimbursements** on this page.



Include insurance premiums you paid for medical and dental care. Also, include eligible long-term care premiums as defined in Pub. 502. But if you claimed the self-employed health insurance deduction on Form 1040, line 27, reduce the premiums by the amount on line 27.

Include medical and dental bills you paid for:

- Yourself and your spouse.
- All dependents you claim on your return.

• Your child whom you do not claim as a dependent because of the rules explained in **Pub. 501** for children of divorced or separated parents.

• Any person you could have claimed as a dependent on your return if that person had not received \$2,650 or more of gross income or had not filed a joint return.

**Example.** You provided over half of your mother's support but may not claim her as a dependent because she received wages of \$2,650 in 1997. You may include on line 1 any medical and dental expenses you paid in 1997 for your mother.

**Reimbursements.** If your insurance company paid the provider directly for part of your expenses, and you paid only the amount that remained, include on line 1 ONLY the amount you paid. If you received a reimbursement in 1997 for medical or dental expenses you paid in 1997, reduce your 1997 expenses by this amount. If you received a reimbursement in 1997 for prior year medical or dental expenses, do not reduce your 1997 expenses by this amount. But if you deducted the expenses in the earlier year and the deduction reduced your tax, you must include the reimbursement in income on Form 1040, line 21. See Pub. 502 for details on how to figure the amount to include.

**Cafeteria Plans.** Do not include on line 1 insurance premiums paid by an employer-sponsored health insurance plan (cafeteria plan) unless the premiums are included in box 1 of your W-2 form(s). Also, do not include any other medical and dental expenses paid by the plan unless the amount paid is included in box 1 of your W-2 form(s).

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# Taxes You Paid

## Taxes You May Not Deduct

- Federal income and excise taxes.
- Social security, Medicare, Federal unemployment (FUTA), and railroad retirement (RTTA) taxes.
- Customs duties.
- Federal estate and gift taxes. But see the instructions for line 27 on page A-5.
- 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.).

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## Line 5

### State and Local Income Taxes

Include on this line the state and local income taxes listed below:

- State and local income taxes withheld from your salary during 1997. Your W-2 form(s) will show these amounts. Forms W-2G, 1099-R, and 1099-MISC may also show state and local income taxes withheld.
- State and local income taxes paid in 1997 for a prior year, such as taxes paid with your 1996 state or local income tax return. **Do not** include penalties or interest.
- State and local estimated tax payments made during 1997, including any part of a prior year refund that you chose to have credited to your 1997 state or local income taxes.

- Mandatory contributions you made to the California, New Jersey, or New York Nonoccupational Disability Benefit Fund, Rhode Island Temporary Disability Benefit Fund, or Washington State Supplemental Workmen's Compensation Fund.

**Do not** reduce your deduction by:

- Any state or local income tax refund or credit you expect to receive for 1997, or
- Any refund of, or credit for, prior year state and local income taxes you actually received in 1997. Instead, see the instructions for Form 1040, line 10.

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## Line 6

### Real Estate Taxes

Include taxes (state, local, or foreign) you paid on real estate you own that was not used for business, but only if the taxes are based on the assessed value of the property. Also, the assessment must be made uniformly on property throughout the community, and the proceeds must be used for general community or governmental purposes. **Pub. 530** explains the deductions homeowners may take.

**Do not** include the following amounts on line 6.

- Itemized charges for services to specific property or persons (for example, a \$20 monthly charge per house for trash collection, a \$5 charge for every 1,000 gallons of water consumed, or a flat charge for mowing a lawn that had grown higher than permitted under a local ordinance).

- Charges for improvements that tend to increase the value of your property (for example, an assessment to build a new sidewalk). The cost of a property improvement is added to the basis of the property. However, a charge is deductible if it is used only to maintain an existing public facility in service (for example, a charge to repair an existing sidewalk, and any interest included in that charge).

If your mortgage payments include your real estate taxes, you may deduct only the amount the mortgage company actually paid to the taxing authority in 1997.

If you sold your home in 1997, any real estate tax charged to the buyer should be shown in box 5 of **Form 1099-S**. This amount is considered a refund of real estate taxes you received in 1997. See **Refunds and Rebates** next.

**Refunds and Rebates.** If you received a refund or rebate in 1997 of real estate taxes you paid in 1997, reduce your deduction by the amount of the refund or rebate. If you received a refund or rebate in 1997 of real estate taxes you paid in an earlier year, do not reduce your deduction by this amount. Instead, you must include the refund or rebate in income on Form 1040, line 21, if you deducted the real estate taxes in the earlier year and the deduction reduced your tax. **Pub. 525** tells you how to figure the amount to include in income.

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## Line 7

### Personal Property Taxes

Enter personal property tax you paid, but only if it is 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 the car's value.

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## Line 8

### Other Taxes

If you had any deductible tax not listed on line 5, 6, or 7, list the type and amount of tax. Enter only one total on line 8. Include on this line income tax you paid to a foreign country or U.S. possession.



*You may want to take a credit for the foreign tax instead of a deduction. See **Form 1116** for details.*

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## Interest You Paid

Whether your interest expense is treated as investment interest, personal interest, or business interest depends on how and

when you used the loan proceeds. See **Pub. 535** for details.

In general, if you paid interest in 1997 that applies to any period after 1997, you may deduct only amounts that apply for 1997.

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## Lines 10 and 11

### Home Mortgage Interest

A **home mortgage** is any loan that is secured by your main home or second home. It includes first and second mortgages, home equity loans, and refinanced mortgages.

A **home** may be a house, condominium, cooperative, mobile home, boat, or similar property. It must provide basic living accommodations including sleeping space, toilet, and cooking facilities.

**Limit on Home Mortgage Interest.** If you took out any mortgages after October 13, 1987, your deduction may be limited. Mortgages taken out after October 13, 1987, include any additional amounts borrowed after October 13, 1987, on a line-of-credit mortgage you had on that date. If you refinanced a mortgage you had on October 13, 1987, treat the new mortgage as taken out on or before October 13, 1987. But if you refinanced for more than the balance of the old mortgage, treat the excess as a mortgage taken out after October 13, 1987.

See **Pub. 936** to figure your deduction if **either 1 or 2** below applies. If you had more than one home at the same time, the dollar amounts in **1 and 2** apply to the total mortgages on both homes.

**1.** You took out any mortgages after October 13, 1987, and used the proceeds for purposes other than to buy, build, or improve your home, and all of these mortgages totaled over \$100,000 at any time during 1997. The limit is \$50,000 if married filing separately. An example of this type of mortgage is a home equity loan used to pay off credit card bills, buy a car, or pay tuition.

**2.** You took out any mortgages after October 13, 1987, and used the proceeds to buy, build, or improve your home, and these mortgages plus any mortgages you took out on or before October 13, 1987, totaled over \$1 million at any time during 1997. The limit is \$500,000 if married filing separately.

**Note:** *If the total amount of all mortgages exceeds the fair market value of the home, additional limits apply. See **Pub. 936**.*

### Line 10

Enter on line 10 mortgage interest and points reported to you on **Form 1098**. If this form shows any refund of overpaid interest, do not reduce your deduction by the refund. Instead, see the instructions for Form 1040, line 21.

If you paid more interest to the recipient than is shown on Form 1098, see **Pub. 936** to find out if you can deduct the additional interest. If you can, attach a statement

explaining the difference and write "See attached" next to line 10.

**Note:** If you are claiming the **mortgage interest credit** (see the instructions for Form 1040, line 44), subtract the amount shown on line 3 of Form 8396 from the total deductible interest you paid on your home mortgage. Enter the result on line 10.

## Line 11

If you did not receive a Form 1098 from the recipient, report your deductible mortgage interest on line 11.

If you bought your home from the recipient, be sure to show that recipient's name, identifying no., and address on the dotted lines next to line 11. If the recipient is an individual, the identifying no. is his or her social security number (SSN). Otherwise, it is the employer identification number. You must also let the recipient know your SSN. If you do not show the required information about the recipient and let the recipient know your SSN, you may have to pay a \$50 penalty.

If you and at least one other person (other than your spouse if filing 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 that person. Next to line 11, write "See attached."

## Line 12

### Points Not Reported on Form 1098

Points are shown on your settlement statement. Points you paid **only** to borrow money are generally deductible over the life of the loan. For exceptions, see **Pub. 936**. Points paid for other purposes, such as for a lender's services, are not deductible.

### Refinancing

Generally, you must deduct points you paid to refinance a mortgage over the life of the loan. This is true even if the new mortgage is secured by your main home.

If you used part of the proceeds to **improve your main home**, you may be able to deduct the part of the points related to the improvement in the year paid. See **Pub. 936** for details.



*If you paid off a mortgage early, deduct any remaining points in the year you paid off the mortgage.*

## Line 13

### 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 allocable to passive activities or to securities that generate tax-exempt income.

Complete and attach **Form 4952** to figure your deduction.

**Exception.** You do not have to file Form 4952 if **all four** of the following apply.

1. Your only investment income was from interest or dividends.
2. You have no other deductible expenses connected with the production of the interest or dividends.
3. Your investment interest expense is not more than your investment income.
4. You have no disallowed investment interest expense from 1996.

**Note:** Alaska Permanent Fund dividends, including those reported on **Form 8814**, are not investment income.

For more details, see **Pub. 550**.

## Gifts to Charity

You may deduct contributions or gifts you 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, mosques, Salvation Army, Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts, Girl Scouts, Boys and Girls Clubs 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 do not know whether you may deduct what you gave to an organization, check with that organization or with the IRS.*

### Contributions You May Deduct

Contributions may be in cash (keep canceled 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 earlier. 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 do not deduct any amounts that were repaid to you.

**Gifts From Which You Benefit.** If you made a gift and received a benefit in return, such as food, entertainment, or merchandise, you may generally only deduct the amount that is more than the value of the benefit. For example, if you paid \$70 to a charitable organization to attend a fund-raising dinner and the value of the dinner was \$40, you may deduct

only \$30. But this rule does not apply to certain membership benefits provided in return for an annual payment of \$75 or less. For details, see **Pub. 526**.

**Gifts of \$250 or More.** You may deduct a gift of \$250 or more only if you have a statement from the charitable organization showing the information in **1** and **2** below.

In figuring whether a gift is \$250 or more, do not combine separate donations. For example, if you gave your church \$25 each week for a total of \$1,300, treat each \$25 payment as a separate gift. If you made donations through payroll deductions, treat each deduction from each paycheck as a separate gift. See **Pub. 526** if you made a separate gift of \$250 or more through payroll deduction.

1. The amount of any money contributed and a description (but not value) of any property donated.

2. Whether the organization did or did not give you any goods or services in return for your contribution. If you did receive any goods or services, a description and estimate of the value must be included. If you received only intangible religious benefits (such as admission to a religious ceremony), the organization must state this, but it does not have to describe or value the benefit.



*You must get the statement by the date you file your return or the due date (including extensions) for filing your return, whichever is earlier. Do not attach the statement to your return. Instead, keep it for your records.*

**Limit on the Amount You May Deduct.** See **Pub. 526** to figure the amount of your deduction if **any** of the following apply:

- Your cash contributions or contributions of ordinary income property are more than 30% of the amount on Form 1040, line 33.

- Your gifts of capital gain property are more than 20% of the amount on Form 1040, line 33.

- You gave gifts of property that increased in value or gave gifts of the use of property.

### You May Not Deduct as Contributions

- 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.

- 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 individuals and groups that are run for personal profit.

- Gifts to foreign organizations. But you may be able to deduct gifts to certain U.S. organizations that transfer funds to foreign charities and certain Canadian and Mexican charities. See Pub. 526 for details.

- Gifts to organizations engaged in certain political activities that are of direct financial interest to your trade or business. See Internal Revenue Code section 170(f)(9).

- Gifts to groups whose purpose is to lobby for changes in the laws.

- Gifts to civic leagues, social and sports clubs, labor unions, and chambers of commerce.

- Value of benefits received in connection with a contribution to a charitable organization. See Pub. 526 for exceptions.

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## Line 15

### Gifts by Cash or Check

Enter the total contributions you made in cash or by check (including out-of-pocket expenses).

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## Line 16

### Other Than by Cash or Check

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 the amount of your deduction is more than \$500, you must complete and attach **Form 8283**. For this purpose, the "amount of your deduction" means your deduction **BEFORE** applying any income limits that could result in a carryover of 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.

**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. For each gift of property, you should also keep reliable written records that include:

- How you figured the property's value at the time you gave it. If the value was determined by an appraisal, keep a signed copy of the appraisal.

- 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.

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

- Any conditions attached to the gift.

**Note:** *If your total deduction for gifts of property is over \$500, you gave less than your entire interest in the property, or you made a "qualified conservation contribution," your records should contain additional information. See Pub. 526 for details.*

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## Line 17

### Carryover From Prior Year

Enter any carryover of contributions that you could not deduct in an earlier year because they exceeded your adjusted gross income limit. See Pub. 526 for details.

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## Casualty and Theft Losses

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## Line 19

Complete and attach **Form 4684** to figure the amount of your loss to enter on line 19.

You may be able to deduct part or all of each loss caused by theft, vandalism, fire, storm, or similar causes, and car, boat, and other accidents. 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—

1. The amount of **each** separate casualty or theft loss is more than \$100, and

2. The total amount of **all** losses during the year is more than 10% of the amount on Form 1040, line 33.

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

Use line 22 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 information on Federal disaster area losses, see **Pub. 547**.

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## Job Expenses and Most Other Miscellaneous Deductions

**Pub. 529** discusses the types of expenses that may and may not be deducted.

Examples of expenses you may **not** deduct are:

- Political contributions.
- Personal legal expenses.
- Lost or misplaced cash or property.
- Expenses for meals during regular or extra work hours.
- The cost of entertaining friends.

- Expenses of going to or from your regular workplace.

- Travel expenses for employment away from home if that period of employment exceeds 1 year. See Pub. 529 for an exception for certain Federal employees.

- Travel as a form of education.

- Expenses of attending a seminar, convention, or similar meeting unless it is related to your employment.

- Club dues. See Pub. 529 for exceptions.

- Expenses of adopting a child. But, you may be able to take a credit. See the instructions for Form 1040, line 42.

- Fines and penalties.

- Expenses of producing tax-exempt income.

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## Line 20

### Unreimbursed Employee Expenses

Enter the total job expenses you paid for which you were not reimbursed. (Amounts your employer included in box 1 of your W-2 form are not considered reimbursements.) But you **MUST** fill in and attach **Form 2106** if:

1. You claim any travel, transportation, meal, or entertainment expenses for your job, OR

2. Your employer paid you for any of your job expenses reportable on line 20.

**TIP** *If you used your own vehicle and item 2 does not apply, you may be able to file **Form 2106-EZ** instead.*

If you do not have to file Form 2106 or 2106-EZ, list the type and amount of each expense on the dotted lines next to line 20. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 20.

Examples of other expenses to include on line 20 are:

- Safety equipment, small tools, and supplies you needed for your job.

- Uniforms required by your employer, and which you may not usually wear away from work.

- Protective clothing required in your work, such as hard hats, 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.

- Certain business use of part of your home. For details, including limits that apply, use TeleTax topic 509 (see page 34) or see **Pub. 587**.

- Certain educational expenses. For details, use TeleTax topic 513 (see page 34) or see **Pub. 508**.

## Line 21

### Tax Preparation Fees

Enter the fees you paid for preparation of your tax return, including fees paid for filing your return electronically.

## Line 22

### Other Expenses

Enter the total amount you paid to produce or collect taxable income and manage or protect property held for earning income. But **do not** include any personal expenses. List the type and amount of each expense on the dotted lines next to line 22. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 22.

Examples of expenses to include on line 22 are:

- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (for example, trust account) fees.
- Your share of the investment expenses of a regulated investment company.
- Certain losses on nonfederally insured deposits in an insolvent or bankrupt financial institution. For details, including limits that apply, see **Pub. 529**.
- Deduction for repayment of amounts under a claim of right if \$3,000 or less.

## Other Miscellaneous Deductions

### Line 27

Only the expenses listed below can be deducted on this line. List the type and amount of each expense on the dotted lines next to line 27. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 27.

- Gambling losses, but only to the extent of gambling winnings reported on Form 1040, line 21.
- Federal estate tax on income in respect of a decedent.
- Amortizable bond premium on bonds acquired before October 23, 1986.

- Deduction for repayment of amounts under a claim of right if over \$3,000. See **Pub. 525** for details.

- Certain unrecovered investment in a pension. See **Pub. 529** for details.

- Impairment-related work expenses of a disabled person.

For more details on these expenses, see **Pub. 529**.

## Total Itemized Deductions

### Line 28

If the amount on Form 1040, line 33, is over \$121,200 (over \$60,600 if married filing separately), use the worksheet on this page to figure the amount to enter on line 28.

### Itemized Deductions Worksheet—Line 28 (keep for your records)



1. Add the amounts on Schedule A, lines 4, 9, 14, 18, 19, 26, and 27	1. _____
2. Add the amounts on Schedule A, lines 4, 13, and 19, plus any gambling losses included on line 27 . . . . .	2. _____
<b>Caution:</b> Be sure your total gambling losses are clearly identified on the dotted line next to line 27.	
3. Subtract line 2 from line 1. If the result is zero, <b>stop here</b> ; enter the amount from line 1 above on Schedule A, line 28, and see the <b>Note</b> below . . . . .	3. _____
4. Multiply line 3 above by 80% (.80) . . . . .	4. _____
5. Enter the amount from Form 1040, line 33	5. _____
6. Enter \$121,200 (\$60,600 if married filing separately) . . . . .	6. _____
7. Subtract line 6 from line 5. If the result is zero or less, <b>stop here</b> ; enter the amount from line 1 above on Schedule A, line 28, and see the <b>Note</b> below . . . . .	7. _____
8. Multiply line 7 above by 3% (.03) . . . . .	8. _____
9. Enter the <b>smaller</b> of line 4 or line 8 . . . . .	9. _____
10. <b>Total itemized deductions.</b> Subtract line 9 from line 1. Enter the result here and on Schedule A, line 28, and see the <b>Note</b> below . . . . .	10. _____
<b>Note:</b> Also enter on Form 1040, line 35, the <b>larger</b> of the amount you enter on Schedule A, line 28, or your standard deduction.	



# Instructions for Schedule B, Interest and Dividend Income

Use Schedule B if:

- You had over \$400 in taxable interest, or
- Any of the **Special Rules** listed below applies to you, or
- You are claiming the exclusion of interest from series EE U.S. savings bonds issued after 1989, or
- You had over \$400 in dividends, or
- You received dividends as a nominee, or
- You (1) had a foreign account; or (2) received a distribution from, or were a grantor of, or transferor to, a foreign trust. Part III of the schedule has questions about foreign accounts and trusts.

**TIP** You may list more than one payer on each entry space for lines 1 and 5, but be sure to clearly show the amount paid next to the payer's name. Add the separate amounts paid by the payers listed on an entry space and enter the total in the "Amount" column. If you still need more space, attach separate sheets that are the same size as the printed schedule. Use the same format as lines 1 and 5, but show your totals on Schedule B. Be sure to put your name and social security number (SSN) on the sheets and attach them at the end of your return.

## Part I. Interest Income

### Line 1

#### Interest Income

Report on line 1 **all** of your taxable interest income. List each payer's name and show the amount.

#### Special Rules

**Seller-Financed Mortgages.** If you sold your home or other property and the buyer used the property as a personal residence, list first any interest the buyer paid you on a mortgage or other form of seller financing. Be sure to show the buyer's name, address, and SSN. You must also let the buyer know your SSN. If you do not show the buyer's name, address, and SSN, and let the buyer know your SSN, you may have to pay a \$50 penalty.

**Nominees.** If you received a **Form 1099-INT** that includes interest you received as a nominee (that is, in your name, but the interest actually belongs to someone else), report the total on line 1. Do this even if you later distributed some or all of this income to others. Under your last entry on line 1, put a subtotal of all interest listed on line 1. Below this subtotal, write "Nominee Distribution" and show the total interest you received as a nominee. Subtract this amount from the subtotal and enter the result on line 2.

**TIP** If you received interest as a nominee, you must give the actual owner a **Form 1099-INT** unless the owner is your

spouse. You must also file a **Form 1096** and a **Form 1099-INT** with the IRS. For more details, see the **Instructions for Forms 1099, 1098, 5498, and W-2G.**

**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 earlier 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, report it on line 1. But do not include it in the total on line 2. Instead, under your last entry on line 1, put a subtotal of all interest listed on line 1. Below this subtotal, write "Tax-Exempt Interest" and show the amount. Subtract this amount from the subtotal and enter the result on line 2.

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

**Amortizable Bond Premium.** If you are reducing your interest income on a bond by the amount of amortizable bond premium, report the total interest on the bond on line 1. Under your last entry on line 1, put a subtotal of all interest listed on line 1. Below this subtotal, write "ABP Adjustment" and show the amount. Subtract this amount from the subtotal and enter the result on line 2.

### Line 3

#### Excludable Interest on Series EE U.S. Savings Bonds Issued After 1989

If you cashed series EE U.S. savings bonds in 1997 that were issued after 1989 and you paid qualified higher education expenses in 1997 for yourself, your spouse, or your dependents, you may be able to exclude part or all of the interest on those bonds. See **Form 8815** for details.

## Part II. Dividend Income

**Note:** If, in 1997, you were an officer or director of a foreign corporation or you owned 5% or more in value of the outstanding stock of a foreign corporation, you may have to file **Form 5471**. For details, see **Form 5471** and its instructions.

### Line 5

#### Dividend Income

Report on line 5 **all** of your dividend income, including capital gain and nontaxable distributions. They will be deducted on lines 7 and 8. List each payer's name and show the amount.

**Nominees.** If you received a **Form 1099-DIV** that includes dividends you received as a nominee (that is, in your name, but the dividends actually belong to someone else), report the total on line 5. Do this even if you later distributed some or all of this income to others. Under your last entry on line 5, put a subtotal of all dividends listed on line 5. Below this subtotal, write "Nominee Distribution" and show the total dividends you received as a nominee. Subtract this amount from the subtotal and enter the result on line 6.

**TIP** If you received dividends as a nominee, you must give the actual owner a **Form 1099-DIV** unless the owner is your spouse. You must also file a **Form 1096** and a **Form 1099-DIV** with the IRS. For more details, see the **Instructions for Forms 1099, 1098, 5498, and W-2G.**

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## Part III. Foreign Accounts and Trusts

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### Lines 11a and 11b

#### Foreign Accounts

##### Line 11a

Check the **Yes** box on line 11a if **either 1 or 2** below applies to you.

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

2. 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).

**Note:** *Item 2 does not apply to foreign securities held in a U.S. securities account.*

**Exceptions.** Check the **No** box if any of the following apply 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 were 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 was in your employer's name; **and** you did not have a personal financial interest in the account.
- You were 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 was in your employer's name; you did 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.

See **Form TD F 90-22.1** to find out 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 the **Yes** box on line 11a, file Form TD F 90-22.1 by June 30, 1998, with the **Department of the Treasury** at the address shown on that form. **Do not** attach it to Form 1040.

##### Line 11b

If you checked the **Yes** box on line 11a, enter the name of the foreign country or countries in the space provided on line 11b. Attach a separate sheet if you need more space.

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## Line 12

### Foreign Trusts

If you received a distribution from a foreign trust, you must provide additional information. For this purpose, a loan of cash or marketable securities generally is considered to be a distribution. See **Form 3520** for details.

If you were the grantor of, or transferor to, a foreign trust that existed during 1997, you may have to file Form 3520 or **Form 926**.

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# Instructions for Schedule C, Profit or Loss From Business

Use Schedule C to report income or loss from a business you operated or a profession you practiced as a sole proprietor. Also, use Schedule C to report wages and expenses you had as a statutory employee. An activity qualifies as a business if your primary purpose for engaging in the activity is for income or profit and you are involved in the activity with continuity and regularity. For example, a sporadic activity or a hobby does not qualify as a business. To report income from a non-business activity, see the Instructions for Form 1040, line 21.

Small businesses and statutory employees with expenses of \$2,500 or less may be able to file **Schedule C-EZ** instead of Schedule C. See Schedule C-EZ to find out if you qualify to file it.

This activity may subject you to state and local taxes and other requirements such as business licenses and fees. Check with your state and local governments for more information.

## General Instructions

### Other Schedules and Forms You May Have To File

**Schedule A** to deduct interest, taxes, and casualty losses not related to your business.

**Schedule E** to report rental real estate and royalty income or (loss) that is **not** subject to self-employment tax.

**Schedule F** to report profit or (loss) from farming.

**Schedule SE** to pay self-employment tax on income from any trade or business.

**Form 4562** to claim depreciation on assets placed in service in 1997, to claim amortization that began in 1997, or to report information on listed property.

**Form 4684** to report a casualty or theft gain or loss involving property used in your trade or business or income-producing property.

**Form 4797** to report sales, exchanges, and involuntary conversions (not from a casualty or theft) of trade or business property.

**Form 8271** if you are claiming or you are reporting on Schedule C or C-EZ any income, deduction, loss, credit, or other tax benefit from a tax shelter.

**Form 8594** to report certain purchases or sales of groups of assets that constitute a trade or business.

**Form 8824** to report like-kind exchanges.

**Form 8829** to claim expenses for business use of your home.

### Heavy Vehicle Use Tax

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 motor vehicle use tax. See **Form 2290** to find out if you owe this tax.

### 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. You may also have to file an information return if you sold \$5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other similar basis for resale. For more information, see the **Instructions for Forms 1099, 1098, 5498, and W-2G**.

If you received cash of more than \$10,000 in one or more related transactions in your trade or business, you may have to file **Form 8300**. For details, see **Pub. 1544**.

### Additional Information

See **Pub. 334** for more information for small businesses.

## Specific Instructions

### Filers of Form 1041

**Do not** complete the block labeled "Social security number." Instead, enter your employer identification number (EIN) on line D.

#### Line A

Describe the business or professional activity that provided your principal source of income reported on line 1. If you owned more than one business, you must complete a separate Schedule C for each business. 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), 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 D

You need an employer identification number (EIN) only if you had a Keogh plan or were required to file an employment, excise, estate, trust, or alcohol, tobacco, and firearms tax return. If you need an EIN, file **Form SS-4**. If you do not have an EIN, leave line D blank. **Do not** enter your SSN.

#### Line E

Enter your business address. Show a street address instead of a box number. Include the suite or room number, if any. If you conducted the business from your home located at the address shown on Form 1040, page 1, you do not have to complete this line.

#### 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. However, if inventories are required, you must use the accrual method for sales and purchases. Special rules apply to long-term contracts. See Internal Revenue Code section 460 for details. The method used must clearly reflect your income.

If you use the **cash method**, show all items of taxable income actually or constructively received during the year (in cash, property, or services). Income is constructively received when it is credited to your account or set aside for you to use. Also, show amounts actually paid during the year for deductible expenses.

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 determine the timing of deductions based on economic performance. See **Pub. 538**.

To change your accounting method (including treatment of inventories), you must usually get permission from the IRS. In general, file **Form 3115** within the first 180 days of the tax year in which you want to make the change.

#### Line G

Participation, for purposes of the following seven material participation tests, generally includes any work you did in connection with an activity if you owned an interest in the activity at the time you did the work. The capacity in which you did the work does not matter. However, work is not treated as participation if it is work that an owner would not customarily do in the same type of activity and one of your main reasons for doing the work was to avoid the disallowance of losses or credits from the activity under the passive activity rules.

Work you did as an investor in an activity is not treated as participation unless you were directly involved in the day-to-day management or operations of the activity. Work done as an investor includes:

1. Studying and reviewing financial statements or reports on operations of the activity.
2. Preparing or compiling summaries or analyses of the finances or operations of the activity for your own use.

3. Monitoring the finances or operations of the activity in a nonmanagerial capacity.

**Participation by your spouse** during the tax year in an activity you own can be counted as your participation in the activity. This applies even if your spouse did not own an interest in the activity and whether or not you and your spouse file a joint return for the tax year.

**Material Participation.** For purposes of the passive activity rules, you materially participated in the operation of this trade or business activity during 1997 if you meet any of the following seven tests:

1. You participated in the activity for more than 500 hours during the tax year.

2. Your participation in the activity for the tax year was substantially all of the participation in the activity of all individuals (including individuals who did not own any interest in the activity) for the tax year.

3. You participated in the activity for more than 100 hours during the tax year, and you participated at least as much as any other person for the tax year. This includes individuals who did not own any interest in the activity.

4. The activity is a significant participation activity for the tax year, and you participated in all significant participation activities for more than 500 hours during the year. An activity is a "significant participation activity" if it involves the conduct of a trade or business, you participated in the activity for more than 100 hours during the tax year, and you did not materially participate under any of the material participation tests (other than this test 4).

5. You materially participated in the activity for any 5 of the prior 10 tax years.

6. The activity is a personal service activity in which you materially participated for any 3 prior tax years. A personal service activity is an activity that involves performing personal services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, or any other trade or business in which capital is not a material income-producing factor.

7. Based on all the facts and circumstances, you participated in the activity on a regular, continuous, and substantial basis during the tax year. But you do not meet this test if you participated in the activity for 100 hours or less during the tax year. Your participation in managing the activity does not count in determining if you meet this test if any person (except you) —

a. Received compensation for performing management services in connection with the activity, or

b. Spent more hours during the tax year than you spent performing management services in connection with the activity (regardless of whether the person was compensated for the services).

If you meet any of the above tests, check the "Yes" box.

If you **do not** meet any of the above tests, check the "No" box. This business is a **passive activity**. If you have a loss from this business, see **Limit on Losses** below. If you have a profit from this business activity but have current year losses from other passive activities or you have prior year unallowed

passive activity losses, see the instructions for **Form 8582**.

**Exception for Oil and Gas.** If you are filing Schedule C to report income and deductions from an oil or gas well in which you own a working interest directly or through an entity that does not limit your liability, check the "Yes" box. The activity of owning the working interest is not a passive activity regardless of your participation in the activity.

**Limit on Losses.** If you checked the "No" box and you have a loss from this business, you may have to use Form 8582 to figure your allowable loss, if any, to enter on Schedule C, line 31. Generally, you can deduct losses from passive activities only to the extent of income from passive activities.

For more details, see **Pub. 925**.

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## Line H

If you started or acquired this business in 1997, check the box on line H. Also, check the box if you are reopening or restarting this business after temporarily closing it, and you did not file a 1996 Schedule C or C-EZ for this business.

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## Part I. Income

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### Line 1

Enter gross receipts from your trade or business. Include amounts you received in your trade or business that were properly shown on **Forms 1099-MISC**. If the total amounts that were reported in box 7 of Forms 1099-MISC are more than the total you are reporting on line 1, attach a statement explaining the difference.

**Statutory Employees.** If you received a Form W-2 and the "Statutory employee" box in box 15 of that form was checked, report your income and expenses related to that income on Schedule C or C-EZ. Enter your statutory employee income from box 1 of Form W-2 on line 1 of Schedule C or C-EZ, and **check the box** on that line. Social security and Medicare tax should have been withheld from your earnings; therefore, you do not owe self-employment tax on these earnings.

Statutory employees include full-time life insurance agents, certain agent or commission drivers and traveling salespersons, and certain homeworkers.

If you had both self-employment income and statutory employee income, **do not** combine these amounts on a single Schedule C or C-EZ. In this case, you must file two Schedules C. You cannot use Schedule C-EZ.

**Installment Sales.** Generally, the installment method may not be used to report income from the sale of (a) personal property regularly sold under the installment method or (b) real property held for resale to customers. But the installment method may be used to report income from sales of certain residential lots and timeshares if you elect to pay interest on the tax due on that income after the year of sale. See Internal Revenue Code section 453(l)(2)(B) for details. If you make this election, include the interest on Form 1040, line 53. Also, write "453(l)(3)" and the

amount of the interest on the dotted line to the left of line 53.

If you use the installment method, attach a schedule to your return. Show separately for 1997 and the 3 preceding years: gross sales, cost of goods sold, gross profit, percentage of gross profit to gross sales, amounts collected, and gross profit on amounts collected.

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## Line 2

Enter such items as returned sales, rebates, and allowances from the sales price.

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## Line 6

Report on line 6 amounts from finance reserve income, scrap sales, bad debts you recovered, interest (such as on notes and accounts receivable), state gasoline or fuel tax refunds you got in 1997, credit for Federal tax paid on gasoline or other fuels claimed on your 1996 Form 1040, prizes and awards related to your trade or business, and other kinds of miscellaneous business income. Include amounts you received in your trade or business as shown on **Form 1099-PATR**. Also, include any recapture of the deduction for clean-fuel vehicles used in your business and clean-fuel vehicle refueling property. For more details, see **Pub. 535**.

If the business use percentage of any listed property (defined in the instructions for line 13) decreased to 50% or less in 1997, report on this line any recapture of excess depreciation, including any section 179 expense deduction. Use **Form 4797** to figure the recapture. Also, if the business use percentage drops to 50% or less on leased listed property (other than a vehicle), include on this line any inclusion amount. See **Pub. 946** to figure the amount.

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## Part II. Expenses

**Capitalizing Costs of Property.** 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 part of certain indirect costs in their inventory. Purchasers of personal property acquired for resale must include part of certain indirect costs in inventory only if the average annual gross receipts for the 3 prior tax years exceed \$10 million. Also, you must capitalize part 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. Reduce the amounts on lines 8–26 and Part V by amounts capitalized. For more details, see **Pub. 538**.

**Exception for Creative Property.** If you are an artist, author, or photographer, you may be exempt from the capitalization rules. However, your personal efforts must have created (or reasonably be expected to create) the property. This exception does not apply to any expense related to printing, photographic plates, motion picture films, video tapes, or similar items. These expenses are subject to the capitalization rules. For more details, see **Pub. 538**.

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## Line 9

Include debts and partial debts 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 collected. For more details, see Pub. 535.

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## Line 10

You can deduct the actual expenses of running your car or truck, or take the **standard mileage rate**. You **must** use actual expenses if you did not own the vehicle or if you used more than one vehicle simultaneously in your business (such as in fleet operations).

If you deduct actual expenses, include on line 10 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc. Show depreciation on line 13 and rent or lease payments on line 20a.

If you choose to take the standard mileage rate, you **cannot** deduct depreciation or your actual operating expenses. To take the standard mileage rate, multiply the number of business miles by 31.5 cents a mile. Add to this amount your parking fees and tolls, and enter the total.

For more details, see **Pub. 463**.

**Information on Your Vehicle.** If you claim any car and truck expenses, you must provide certain information on the use of your vehicle by completing:

- Part IV of Schedule C or Part III of Schedule C-EZ if (a) you are claiming the standard mileage rate, you lease your vehicle, or your vehicle is fully depreciated and (b) you are **not** required to file **Form 4562** for any other reason. If you used more than one vehicle during the year, attach your own schedule with the information requested in Part IV of Schedule C, or Part III of Schedule C-EZ, for each additional vehicle.

- Part V of Form 4562 if you are claiming depreciation on your vehicle or you are required to file Form 4562 for any other reason (see the instructions for line 13 below).

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## Line 12

Enter your deduction for depletion on this line. If you have timber depletion, attach **Form T**. See Pub. 535 for details.

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## Line 13

**Depreciation and Section 179 Expense Deduction.** Depreciation is the annual deduction allowed to recover the cost or other basis of business or investment property with a useful life of more than 1 year. You can also depreciate improvements made to leased business property. However, stock in trade, inventories, and land are not depreciable.

Depreciation starts when you first use the property in your business or for the production of income. It ends when you take the property out of service, deduct all your depreciable cost or other basis, or no longer use the property in your business or for the production of income.

For property placed in service after 1980, see the Instructions for Form 4562 to figure

the amount of depreciation to enter on line 13. For property placed in service before 1981, figure depreciation from your own books and records.

You may also choose under Internal Revenue Code section 179 to expense part of the cost of certain property you bought in 1997 for use in your business. See the Instructions for Form 4562 for more details.

**When To Attach Form 4562.** You must complete and attach Form 4562 **only** if:

- You are claiming depreciation on property placed in service during 1997, or
- You are claiming depreciation on listed property (defined below), regardless of the date it was placed in service, or
- You are claiming a section 179 expense deduction.

If you acquired depreciable property for the first time in 1997, see Pub. 946.

**Listed property** generally includes, but is not limited to:

- Passenger automobiles weighing 6,000 pounds or less.
- Any other property used for transportation if the nature of the property lends itself to personal use, such as motorcycles, pickup trucks, etc.
- Any property used for entertainment or recreational purposes (such as photographic, phonographic, communication, and video recording equipment).
- Cellular telephones or other similar telecommunications equipment.
- Computers or peripheral equipment.

**Exceptions.** Listed property does not include photographic, phonographic, communication, or video equipment used exclusively in your trade or business or at your regular business establishment. It also does not include any computer or peripheral equipment used exclusively at a regular business establishment and owned or leased by the person operating the establishment. For purposes of these exceptions, a portion of your home is treated as a regular business establishment only if that portion meets the requirements under Internal Revenue Code section 280A(c)(1) for deducting expenses for the business use of your home.

If the business use percentage of any listed property decreased to 50% or less in 1997, see the instructions for line 6 on page C-2.

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## Line 14

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 19. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs.

Do not include on line 14 any contributions you made on your behalf as a self-employed person to an accident and health plan or for group-term life insurance. You may be able to deduct on Form 1040, line 27, part of the amount you paid for health insurance on behalf of yourself, your spouse, and dependents, even if you do not itemize your deductions. See the Form 1040 instructions on page 17 for more details.

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## Line 15

Deduct premiums paid for business insurance on line 15. Deduct on line 14 amounts paid for employee accident and health insurance. Do not deduct amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability. For more details, see Pub. 535.

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## Lines 16a and 16b

**Interest Allocation Rules.** The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted (or capitalized) on the correct line of your return and gets the right tax treatment. These rules could affect how much interest you are allowed to deduct on Schedule C or C-EZ.

Generally, you allocate interest expense by tracing how the proceeds of the loan were used. See Pub. 535 for details.

If you paid interest in 1997 that applies to future years, deduct only the part that applies to 1997. If you paid interest on a debt secured by your main home and any of the proceeds from that debt were used in connection with your trade or business, see Pub. 535 to figure the amount that is deductible on Schedule C or C-EZ.

If you have a mortgage on real property used in your business (other than your main home), enter on line 16a the interest you paid for 1997 to banks or other financial institutions for which you received a **Form 1098**. If you did not receive a Form 1098, enter the interest on line 16b.

If you paid more mortgage interest than is shown on Form 1098 or similar statement, see Pub. 535 to find out if you can deduct the additional interest. If you can, enter the amount on line 16a. Attach a statement to your return explaining the difference. Write "See attached" in the left margin next to line 16a.

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, report your share of the interest on line 16b. 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 16b, write "See attached."

Do not deduct interest you paid or accrued on debts allocable to investment property. This interest is generally deducted on **Schedule A** (Form 1040). For details, see **Pub. 550**.

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## Line 17

Include on this line fees for tax advice related to your business and for preparation of the tax forms related to your business.

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## Line 19

Enter your 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, enter contributions made as an employer on your behalf on Form 1040, line 28, not on Schedule C.

Generally, you must file one of the following forms if you maintain a pension, profit-sharing, or other funded-deferred compensation plan. The filing requirement is not affected by whether or not the plan qualified under the Internal Revenue Code, or 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/R or 5500-EZ.** Complete the applicable form for each plan with fewer than 100 participants.

There is a penalty for failure to timely file these forms.

For more information, see **Pub. 560**.

## Lines 20a and 20b

If you rented or leased vehicles, machinery, or equipment, enter on line 20a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an amount called the **inclusion amount**.

**You may have to do this if—**

The lease term began:	And the vehicle's fair market value on the first day of the lease exceeded:
During 1997 . . . . .	\$15,800
During 1995 or 1996 . . . . .	15,500
During 1994 . . . . .	14,600
During 1993 . . . . .	14,300
During 1992 . . . . .	13,700

If the lease term began before 1992, see Pub. 463 to find out if you have an inclusion amount.

Also see Pub. 463 to figure your inclusion amount.

Enter on line 20b amounts paid to rent or lease other property, such as office space in a building.

## Line 21

Deduct the cost of repairs and maintenance. Include 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. Do not deduct amounts spent to restore or replace property; they must be capitalized.

## Line 23

You can deduct the following taxes on this line:

- State and local sales taxes imposed on you as the seller of goods or services. If you collected this tax from the buyer, you must also include the amount collected in gross receipts or sales on line 1.
- Real estate and personal property taxes on business assets.
- Social security and Medicare taxes paid to match required withholding from your employees' wages. Also, Federal unemployment tax paid. Reduce your deduction by the

amount of the current year credit shown on line 4 of **Form 8846**.

- Federal highway use tax.

**Do not** deduct on this line:

- Federal income taxes, including your self-employment tax. However, you may deduct one-half of your self-employment tax on Form 1040, line 26.
- Estate and gift taxes.
- Taxes assessed to pay for improvements, such as paving and sewers.
- Taxes on your home or personal use property.
- State and local sales taxes on property purchased for use in your business. Instead, treat these taxes as part of the cost of the property.
- State and local sales taxes imposed on the buyer that you were required to collect and pay over to the state or local governments. These taxes are not included in gross receipts or sales nor are they a deductible expense. However, if the state or local government allowed you to retain any part of the sales tax you collected, you must include that amount as income on line 6.
- Other taxes not related to your business.

## Line 24a

Enter your expenses for lodging and transportation connected with overnight travel for business while away from your tax home. Generally, your tax home is your main place of business regardless of where you maintain your family home. You cannot deduct expenses paid or incurred in connection with employment away from home if that period of employment exceeds 1 year. Also, you cannot deduct travel expenses for your spouse, your dependent, or any other individual unless that person is your employee, the travel is for a bona fide business purpose, and the expenses would otherwise be deductible by that person.

Do not include expenses for meals and entertainment on this line. Instead, see the instructions for lines 24b and 24c below.

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 as within it. These rules apply to both employers and employees. Other rules apply to luxury water travel.

For more details, see Pub. 463.

## Lines 24b and 24c

On line 24b, enter your total business meal and entertainment expenses. Include meals while traveling away from home for business. Instead of the actual cost of your meals while traveling away from home, you may use the standard meal allowance. For more details, see Pub. 463.

Business meal expenses are deductible only if they are (a) directly related to or associated with the active conduct of your trade or business, (b) not lavish or extravagant, and (c) incurred while you or your employee is present at the meal.

You cannot deduct any expense paid or incurred for a facility (such as a yacht or

hunting lodge) used for any activity usually considered entertainment, amusement, or recreation.

Also, you cannot deduct amounts paid or incurred for membership dues in any club organized for business, pleasure, recreation, or other social purpose. This includes country clubs, golf and athletic clubs, airline and hotel clubs, and clubs operated to provide meals under conditions favorable to business discussion. But it does not include civic or public service organizations, professional organizations (such as bar and medical associations), business leagues, trade associations, chambers of commerce, boards of trade, and real estate boards, unless a principal purpose of the organization is to entertain, or provide entertainment facilities for, members or their guests.

There are exceptions to these rules as well as other rules that apply to sky-box rentals and tickets to entertainment events. See Pub. 463.

Generally, you may deduct **only** 50% of your business meal and entertainment expenses, including meals incurred while traveling away from home on business. However, you may fully deduct meals and entertainment furnished or reimbursed to an employee if you properly treat the expense as wages subject to withholding. You may also fully deduct meals and entertainment provided to a nonemployee to the extent the expenses are includible in the gross income of that person and reported on Form 1099-MISC.

Figure how much of the amount on line 24b is subject to the 50% limit. Then, enter one-half of that amount on line 24c.

## Line 25

Deduct only utility expenses paid or incurred for your trade or business.

**Local Telephone Service.** If you used your home phone for business, do not deduct the base rate (including taxes) of the first phone line into your residence. But you can deduct expenses for any additional costs you incurred for business that are more than the cost of the base rate for the first phone line. For example, if you had a second line, you can deduct the business percentage of the charges for that line, including the base rate charges.

## Line 26

Enter the total salaries and wages paid or incurred for the tax year. Do not include salaries and wages deducted elsewhere on your return or amounts paid to yourself. Reduce your deduction by the current year credits claimed on:

- **Form 5884**, Work Opportunity Credit.
- **Form 8844**, Empowerment Zone Employment Credit.
- **Form 8845**, Indian Employment Credit.

**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 claimed elsewhere.

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## Line 30

**Business Use of Your Home.** You may be able to deduct certain expenses for business use of your home, subject to limitations. Generally, any amount not allowed as a deduction for 1997 because of the limitations can be carried over to 1998. You must attach **Form 8829** if you claim this deduction.

For details, see the Instructions for Form 8829 and **Pub. 587**.

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## 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 G on Schedule C, also see the Instructions for Form 8582. Enter the net profit or **deductible** loss here. Combine this amount with any profit or loss from other businesses, and enter the total on Form 1040, line 12, and Schedule SE, line 2. Estates and trusts should enter the total on Form 1041, line 3.

If you have a net profit on line 31, this amount is earned income and may qualify you for the earned income credit. See the Instructions for Form 1040, lines 56a and 56b, on page 21 for more details.

**Statutory Employees.** If you are filing Schedule C to report income and expenses as a statutory employee, include your net profit or deductible loss from line 31 with other Schedule C amounts on Form 1040, line 12. However, **do not** report this amount on Schedule SE, line 2. If you are required to file Schedule SE because of other self-employment income, see the Instructions for Schedule SE.

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## Line 32

**At-Risk Rules.** Generally, if you have (a) a business loss and (b) amounts in the business for which you are **not at risk**, you will have to complete **Form 6198** to figure your allowable loss.

The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the business.

Check **box 32b** if you have amounts for which you are not at risk in this business, such as the following.

- Nonrecourse loans used to finance the business, to acquire property used in the business, or to acquire the business that are not secured by your own property (other than property used in the business). However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property.

- Cash, property, or borrowed amounts used in the business (or contributed to the business, or used to acquire the business) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).

- Amounts borrowed for use in the business from a person who has an interest in the business, other than as a creditor, or who is related under Internal Revenue Code section 465(b)(3) to a person (other than you) having such an interest.

If all amounts are at risk in this business, check **box 32a** and enter your loss on line 31. But if you answered "No" to Question G, you may need to complete Form 8582 to figure your allowable loss to enter on line 31. See the Instructions for Form 8582 for more details.

If you checked **box 32b**, get Form 6198 to determine the amount of your deductible loss and enter that amount on line 31. But if you answered "No" to Question G, your loss may be further limited. See the Instructions for 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 checked box 32b and you do not attach Form 6198, the processing of your tax return may be delayed.

**Statutory Employees.** Include your deductible loss with other Schedule C amounts on Form 1040, line 12. **Do not** include this amount on Schedule SE, line 2.

Any loss from this business not allowed for 1997 because of the at-risk rules is treated as a deduction allocable to the business in 1998. For more details, see the Instructions for Form 6198 and Pub. 925.

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## Part III. 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.

**Note:** *Certain direct and indirect expenses must be capitalized or included in inventory. See the instructions for Part II.*

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## Line 33

Your inventories can be valued at cost; cost or market value, whichever is lower; or any other method approved by the IRS.

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## Part V. Other Expenses

Include all ordinary and necessary business expenses not deducted elsewhere on Schedule C. List the type and amount of each expense separately in the space provided. Enter the total on lines 48 and 27. Do not include the cost of business equipment or furniture, replacements or permanent improvements to property, or personal, living, and family expenses. Do not include charitable contributions. Also, you may not deduct fines or penalties paid to a government for violating any law. For more details on business expenses, see Pub. 535.

**Amortization.** Include amortization in this part. For amortization that begins in 1997, you must complete and attach Form 4562.

You may amortize:

- The cost of pollution-control facilities.
- Amounts paid for research and experimentation.
- Certain business startup costs.
- Qualified forestation and reforestation costs.

- Amounts paid to acquire, protect, expand, register, or defend trademarks or trade names.

- Goodwill and certain other intangibles.

In general, you **may not** 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.

**At-Risk Loss Deduction.** Any loss from this activity that was not allowed as a deduction last year because of the at-risk rules is treated as a deduction allocable to this activity in 1997.

**Capital Construction Fund.** **Do not** claim on Schedule C or C-EZ the deduction for amounts contributed to a capital construction fund set up under the Merchant Marine Act of 1936. To take the deduction, reduce the amount that would otherwise be entered as taxable income on Form 1040, line 38, by the amount of the deduction. In the margin to the left of line 38, write "CCF" and the amount of the deduction. For more information, see **Pub. 595**.

**Deduction for Clean-Fuel Vehicles and Clean-Fuel Vehicle Refueling Property.** You may deduct part of the cost of qualified clean-fuel vehicle property used in your business and qualified clean-fuel vehicle refueling property. See Pub. 535 for more details.

**Disabled Access Credit and the Deduction for Removing Barriers to Individuals With Disabilities and the Elderly.** You may be able to claim a tax credit of up to \$5,000 for eligible expenditures paid or incurred in 1997 to provide access to your business for individuals with disabilities. See **Form 8826** for more details. You can also deduct up to \$15,000 of costs paid or incurred in 1997 to remove architectural or transportation barriers to individuals with disabilities and the elderly. However, you cannot take both the credit and the deduction on the same expenditures.

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**Principal Business or Professional Activity Codes**

Locate the major category that best describes your activity. Within the major category, select the activity code that most closely identifies the business or profession that is the principal source of your sales or

receipts. **Enter this 4-digit code on line B of Schedule C or C-EZ.** For example, real estate agent is under the major category of **"Real Estate,"** and the code is "5520."

**Note:** *If your principal source of income is from farming activities, you should file Schedule F (Form 1040), Profit or Loss From Farming.*

<p><b>Agricultural Services, Forestry, Fishing</b> <b>Code</b> 1990 Animal services, other than breeding 1933 Crop services 2113 Farm labor &amp; management services 2246 Fishing, commercial 2238 Forestry, except logging 2212 Horticulture, gardening, &amp; landscaping 2469 Hunting &amp; trapping 1974 Livestock breeding 0836 Logging 1958 Veterinary services, including pets</p>	<p><b>Real Estate</b> 5538 Operators &amp; lessors of buildings, including residential 5553 Operators &amp; lessors of other real property 5520 Real estate agents &amp; brokers 5579 Real estate property managers 5710 Subdividers &amp; developers, except cemeteries 6155 Title abstract offices</p>	<p><b>Hotels &amp; Other Lodging Places</b> 7237 Camps &amp; camping parks 7096 Hotels, motels, &amp; tourist homes 7211 Rooming &amp; boarding houses <b>Laundry &amp; Cleaning Services</b> 7450 Carpet &amp; upholstery cleaning 7419 Coin-operated laundries &amp; dry cleaning 7435 Full-service laundry, dry cleaning, &amp; garment service 7476 Janitorial &amp; related services (building, house, &amp; window cleaning)</p>	<p>3081 Eating places, fast food 3079 Full service restaurants 3210 Grocery stores (general line) 3251 Liquor stores 3236 Specialized food stores (meat, produce, candy, health food, etc.)</p>
<p><b>Construction</b> 0018 Operative builders (for own account) <b>Building Trades, Including Repairs</b> 0414 Carpentering &amp; flooring 0455 Concrete work 0273 Electrical work 0299 Masonry, dry wall, stone, &amp; tile 0257 Painting &amp; paper hanging 0232 Plumbing, heating, &amp; air conditioning 0430 Roofing, siding, &amp; sheet metal 0885 Other building trade contractors (excavation, glazing, etc.) <b>General Contractors</b> 0075 Highway &amp; street construction 0059 Nonresidential building 0034 Residential building 3889 Other heavy construction (pipe laying, bridge construction, etc.)</p>	<p><b>Services: Personal, Professional, &amp; Business Services</b> <b>Amusement &amp; Recreational Services</b> 9670 Bowling centers 9688 Motion picture &amp; tape distribution &amp; allied services 9597 Motion picture &amp; video production 9639 Motion picture theaters 8557 Physical fitness facilities 9696 Professional sports &amp; racing, including promoters &amp; managers 9811 Theatrical performers, musicians, agents, producers, &amp; related services 9613 Video tape rental 9837 Other amusement &amp; recreational services</p>	<p><b>Medical &amp; Health Services</b> 9274 Chiropractors 9233 Dentist's office or clinic 9217 Doctor's (M.D.) office or clinic 9456 Medical &amp; dental laboratories 9472 Nursing &amp; personal care facilities 9290 Optometrists 9258 Osteopathic physicians &amp; surgeons 9241 Podiatrists 9415 Registered &amp; practical nurses 9431 Offices &amp; clinics of other health practitioners (dietitians, midwives, speech pathologists, etc.) 9886 Other health services</p>	<p><b>Furniture &amp; General Merchandise</b> 3988 Computer &amp; software stores 3970 Furniture stores 4317 Home furnishings stores (china, floor coverings, drapes) 4119 Household appliance stores 4333 Music &amp; record stores 3996 TV, audio &amp; electronic stores 3715 Variety stores 3731 Other general merchandise stores</p>
<p><b>Finance, Insurance, &amp; Related Services</b> 6064 Brokers &amp; dealers of securities 6080 Commodity contracts brokers &amp; dealers; security &amp; commodity exchanges 6148 Credit institutions &amp; mortgage bankers 5702 Insurance agents or brokers 5744 Insurance services (appraisal, consulting, inspection, etc.) 6130 Investment advisors &amp; services 5777 Other financial services</p>	<p><b>Automotive Services</b> 8813 Automotive rental or leasing, without driver 8953 Automotive repairs, general &amp; specialized 8839 Parking, except valet 8896 Other automotive services (wash, towing, etc.) <b>Business &amp; Personal Services</b> 7658 Accounting &amp; bookkeeping 7716 Advertising, except direct mail 7682 Architectural services 6883 Authors &amp; artists 8318 Barber shop (or barber) 8110 Beauty shop (or beautician) 8714 Child day care 7872 Computer programming, processing, data preparation, &amp; related services 7922 Computer repair, maintenance, &amp; leasing 7286 Consulting services 7799 Consumer credit reporting &amp; collection services 8755 Counseling (except health practitioners) 7732 Employment agencies &amp; personnel supply 7518 Engineering services 7773 Equipment rental &amp; leasing (except computer or automotive) 8532 Funeral services &amp; crematories 7633 Income tax preparation 7914 Investigative &amp; protective services 7617 Legal services (or lawyer) 7856 Mailing, reproduction, commercial art, photography, &amp; stenographic services 7245 Management services 8771 Ministers &amp; chaplains 8334 Photographic studios 7260 Public relations 8733 Research services 7708 Surveying services 8730 Teaching or tutoring 7880 Other business services 6882 Other personal services</p>	<p><b>Miscellaneous Repair, Except Computers</b> 9019 Audio equipment &amp; TV repair 9035 Electrical &amp; electronic equipment repair, except audio &amp; TV 9050 Furniture repair &amp; reupholstery 2881 Other equipment repair</p>	<p><b>Miscellaneous Retail Stores</b> 4812 Boat dealers 5017 Book stores, excluding newsstands 4853 Camera &amp; photo supply stores 3277 Drug stores 5058 Fabric &amp; needlework stores 4655 Florists 5090 Fuel dealers (except gasoline) 4630 Gift, novelty, &amp; souvenir shops 4838 Hobby, toy, &amp; game shops 4671 Jewelry stores 4895 Luggage &amp; leather goods stores 5074 Mobile home dealers 4879 Optical goods stores 4697 Sporting goods &amp; bicycle shops 5033 Stationery stores 4614 Used merchandise &amp; antique stores (except motor vehicle parts) 5884 Other retail stores</p>
<p><b>Manufacturing, Including Printing &amp; Publishing</b> 0679 Apparel &amp; other textile products 1115 Electric &amp; electronic equipment 1073 Fabricated metal products 0638 Food products &amp; beverages 0810 Furniture &amp; fixtures 0695 Leather footwear, handbags, etc. 0836 Lumber &amp; other wood products 1099 Machinery &amp; machine shops 0877 Paper &amp; allied products 1057 Primary metal industries 0851 Printing &amp; publishing 1032 Stone, clay, &amp; glass products 0653 Textile mill products 1883 Other manufacturing industries</p>	<p><b>Trade, Retail—Selling Goods to Individuals &amp; Households</b> 3038 Catalog or mail order 3046 Flea markets or shows 3012 Selling door to door, by telephone or party plan, or from mobile unit 3053 Vending machine selling <b>Selling From Showroom, Store, or Other Fixed Location</b> <b>Apparel &amp; Accessories</b> 3921 Accessory &amp; specialty stores &amp; furriers for women 3939 Clothing, family 3772 Clothing, men's &amp; boys' 3913 Clothing, women's 3756 Shoe stores 3954 Other apparel &amp; accessory stores <b>Automotive &amp; Service Stations</b> 3558 Gasoline service stations 3319 New car dealers (franchised) 3533 Tires, accessories, &amp; parts 3335 Used car dealers 3517 Other automotive dealers (motorcycles, recreational vehicles, etc.) <b>Building, Hardware, &amp; Garden Supply</b> 4416 Building materials dealers 4457 Hardware stores 4473 Nurseries &amp; garden supply stores 4432 Paint, glass, &amp; wallpaper stores <b>Food &amp; Beverages</b> 0612 Bakeries selling at retail 3086 Catering services 3095 Drinking places (bars, taverns, pubs, saloons, etc.)</p>	<p><b>Trade, Retail—Selling Goods to Individuals &amp; Households</b> 3038 Catalog or mail order 3046 Flea markets or shows 3012 Selling door to door, by telephone or party plan, or from mobile unit 3053 Vending machine selling <b>Selling From Showroom, Store, or Other Fixed Location</b> <b>Apparel &amp; Accessories</b> 3921 Accessory &amp; specialty stores &amp; furriers for women 3939 Clothing, family 3772 Clothing, men's &amp; boys' 3913 Clothing, women's 3756 Shoe stores 3954 Other apparel &amp; accessory stores <b>Automotive &amp; Service Stations</b> 3558 Gasoline service stations 3319 New car dealers (franchised) 3533 Tires, accessories, &amp; parts 3335 Used car dealers 3517 Other automotive dealers (motorcycles, recreational vehicles, etc.) <b>Building, Hardware, &amp; Garden Supply</b> 4416 Building materials dealers 4457 Hardware stores 4473 Nurseries &amp; garden supply stores 4432 Paint, glass, &amp; wallpaper stores <b>Food &amp; Beverages</b> 0612 Bakeries selling at retail 3086 Catering services 3095 Drinking places (bars, taverns, pubs, saloons, etc.)</p>	<p><b>Trade, Wholesale—Selling Goods to Other Businesses, etc.</b> <b>Durable Goods, Including Machinery Equipment, Wood, Metals, etc.</b> 2634 Agent or broker for other firms—more than 50% of gross sales on commission 2618 Selling for your own account <b>Nonurable Goods, Including Food, Fiber, Chemicals, etc.</b> 2675 Agent or broker for other firms—more than 50% of gross sales on commission 2659 Selling for your own account</p> <p><b>Transportation, Communications, Public Utilities, &amp; Related Services</b> 6619 Air transportation 6312 Bus &amp; limousine transportation 6676 Communication services 6395 Courier or package delivery 6361 Highway passenger transportation (except chartered service) 6536 Public warehousing 6114 Taxicabs 6510 Trash collection without own dump 6635 Travel agents &amp; tour operators 6338 Trucking (except trash collection) 6692 Utilities (dumps, snow plowing, road cleaning, etc.) 6551 Water transportation 6650 Other transportation services 8888 <b>Unable to classify</b></p>



# Instructions for Schedule D, Capital Gains and Losses

**Additional Information.** See *Pub. 544* and *Pub. 550* for more details.

Section references are to the Internal Revenue Code unless otherwise noted.

## General Instructions

### Changes To Note

**Maximum Capital Gains Tax Rates.** The Taxpayer Relief Act of 1997 generally reduced the tax rates that apply to net capital gain (the excess of net long-term capital gain over net short-term capital loss) for sales, exchanges, or conversions of assets (including installment payments received) after May 6, 1997. If you have a net capital gain, use new Part IV of Schedule D to figure the tax on all of your taxable income, including capital gains at the new rates. Although you will have to complete Schedule D to see how the new rates apply to your situation, the following is a general summary of the new rates:

- 20% for net gain from sales, exchanges, etc., **(a)** after May 6, 1997, and before July 29, 1997, for assets held more than 1 year and **(b)** after July 28, 1997, for assets held more than 18 months. This rate is generally 10% for individuals whose tax rate on ordinary income is 15%.

- 25% for unrecaptured section 1250 gain (generally, the part of real estate capital gains attributable to depreciation). The 25% rate applies only to gain from sales, exchanges, etc., **(a)** after May 6, 1997, and before July 29, 1997, for assets held more than 1 year and **(b)** after July 28, 1997, for assets held more than 18 months.

- 28% for net gain from sales, exchanges, etc., **(a)** before May 7, 1997, and **(b)** after July 28, 1997, from property held more than 1 year but not more than 18 months. This rate also applies to collectibles gains.

**Capital Gain Distributions.** Because of the change in the capital gains rates, capital gain distributions now must be reported on Schedule D in all cases. The mutual fund or real estate investment trust must report to you the amount of the total distribution, if any, that is treated as 28% rate gain or unrecaptured section 1250 gain.

**Constructive Sales Treatment for Certain Appreciated Positions.** You may have to recognize gain if you enter into a constructive sale after June 8, 1997, of property in which you hold an appreciated position (such as a "short sale against the box"). See page D-2.

**Rollover of Gain From Qualified Stock.** You may be able to postpone gain from the sale of qualified small business stock if you reinvest in another qualified small business stock during the 60-day period that began on the date of the sale. See page D-3.

### Purpose of Schedule

Use Schedule D (Form 1040) to report:

- The sale or exchange of a capital asset (defined below).
- Gains from involuntary conversions (other than from casualty or theft) of capital assets not held for business or profit.
- Capital gain distributions.
- Nonbusiness bad debts.

### Other Forms You May Have To File

Use **Form 4797** to report the following:

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

- The involuntary conversion (other than from casualty or theft) of property used in a trade or business and capital assets held for business or profit.

- The disposition of noncapital assets other than inventory or property held primarily for sale to customers in the ordinary course of your trade or business.

- Ordinary loss on the sale, exchange, or worthlessness of small business investment company (section 1242) stock.

- Ordinary loss on the sale, exchange, or worthlessness of small business (section 1244) stock.

Use **Form 2119** to report the sale of your main home.

Use **Form 4684** to report involuntary conversions of property due to casualty or theft.

Use **Form 6781** to report gains and losses from section 1256 contracts and straddles.

Use **Form 8824** if you made one or more like-kind exchanges. A "like-kind exchange" occurs when you exchange business or investment property for property of a like kind. For exchanges of capital assets, include the gain or (loss) from Form 8824, if any, on line 4 or line 11 in column (f), and in column (g) if required.

### Capital Asset

Most property you own and use for personal purposes, pleasure, or investment is a capital asset. For example, your house, furniture, car, stocks, and bonds are capital assets. A capital asset is any property held by you **except** the following:

1. Stock in trade or other property included in inventory or held for sale to customers.
2. Accounts or notes receivable for services performed in the ordinary course of your

trade or business or as an employee, or from the sale of any property described in 1.

3. Depreciable property used in your trade or business even if it is fully depreciated.

4. Real estate used in your trade or business.

5. Copyrights, literary, musical, or artistic compositions, letters or memoranda, or similar property: **(a)** created by your personal efforts; **(b)** prepared or produced for you (in the case of letters, memoranda, or similar property); or **(c)** that you received from someone who created them or for whom they were created, as mentioned in **(a)** or **(b)**, in a way (such as by gift) that entitled you to the basis of the previous owner.

6. 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 someone who had received it in a similar way, if your basis is determined by reference to the previous owner's basis.

### Capital Assets Held for Personal Use

Gain from the sale or exchange of this property 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. But if you had a loss from the sale or exchange of real estate held for personal use for which you received a Form 1099-S, you must report the transaction on Schedule D even though the loss is not deductible.

For example, you have a loss on the sale of a vacation home that is not your main home. Report it on line 1 or 8, depending on how long you owned the home. Complete columns (a) through (e). Because the loss is not deductible, enter -0- in column (f), and column (g) if appropriate.

### 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 short-term capital gains and losses is 1 year or less. The holding period for long-term capital gains and losses is more than 1 year. To figure the holding period, begin counting on the day after you received the property and include the day you disposed of it.

If you disposed of property that you acquired by inheritance, report the disposition as a long-term gain or loss from property held more than 18 months, regardless of how long you held the property.

A nonbusiness bad debt must be treated as a short-term capital loss. See *Pub. 550* for what qualifies as a nonbusiness bad debt and how to enter it on Schedule D.

## Nondeductible Losses

**Do not** deduct a loss from the direct or indirect sale or exchange of property between any of the following.

- Members of a family.
- A corporation and an individual owning more than 50% of the corporation's stock (unless the loss is from a distribution in complete liquidation of a corporation).
- A grantor and a fiduciary of a trust.
- A fiduciary and a beneficiary of the same trust.
- A fiduciary and a 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.

See Pub. 544 for more details on sales and exchanges between related parties.

If you disposed of **(a)** an asset used in an activity to which the at-risk rules apply, or **(b)** 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 the loss is allowable under the at-risk rules, it may then be subject to the passive activity rules. See **Form 8582** and its instructions to see how to report capital gains and losses from a passive activity.

## Items for Special Treatment

- Transactions by a securities dealer. See section 1236.
- Bonds and other debt instruments. See Pub. 550 for details.
- Certain real estate subdivided for sale which may be considered a capital asset. See section 1237.
- Gain on the sale of depreciable property to a more than 50% owned entity, or to a trust of which you are a beneficiary. See Pub. 544 for details.
- Gain on the disposition of stock in an interest charge domestic international sales corporation. See section 955(c).
- Gain on the sale or exchange of stock in certain foreign corporations. See section 1248.
- Transfer of property to a foreign corporation as paid-in surplus or as a contribution to capital, or to a foreign estate, trust, or partnership. See **Form 926**.
- Transfer of property to a partnership that would be treated as an investment company if it were incorporated. See **Pub. 541**.
- Sales of stock received under a qualified public utility dividend reinvestment plan. See Pub. 550 for details.
- Transfer of appreciated property to a political organization. See section 84.
- In general, no gain or loss is recognized on the transfer of property from an individual to a spouse or a former spouse if the transfer is incident to a divorce. See **Pub. 504**.
- Amounts received on the retirement of a debt instrument generally are treated as received in exchange for the debt instrument. See Pub. 550 for details.
- Any loss on the disposition of converted wetland or highly erodible cropland that is first used for farming after March 1, 1986, is reported as a long-term capital loss on

Schedule D, but any gain is reported as ordinary income on Form 4797.

- Amounts received by shareholders in corporate liquidations. See Pub. 550.
- Cash received in lieu of fractional shares of stock as a result of a stock split or stock dividend. See Pub. 550 for details.
- Mutual fund load charges may not be taken into account in determining gain or loss on certain dispositions of stock in mutual funds if reinvestment rights were exercised. For details, see **Pub. 564**.

## Wash Sales

A wash sale occurs when you sell or otherwise dispose of stock or securities (including a contract or option to acquire or sell stock or securities) at a loss and, within 30 days before or after the sale or disposition, you directly or indirectly:

1. Buy substantially identical stock or securities,
2. Acquire substantially identical stock or securities in a fully taxable trade, or
3. Enter into a contract or option to acquire substantially identical stock or securities.

You **cannot** deduct losses from wash sales unless the loss was incurred in the ordinary course of your business as a dealer in stock or securities. The basis of the substantially identical stock or securities you acquired (or the contract or option to acquire such stock or securities) is its cost increased by the disallowed loss. For more details on wash sales, see Pub. 550.

Report a wash sale transaction on line 1 or 8. Show the full amount of the (loss) in column (f), and in column (g) if required. Directly below the line on which you reported the loss, enter "Wash Sale" in column (a) and the amount of the loss not allowed as a positive amount in column (f), and in column (g) if required.

## Short Sales

A short sale is a contract to sell property you borrowed for delivery to a buyer. At a later date, you either buy substantially identical property and deliver it to the lender or deliver property that you held but did not want to transfer at the time of the sale.

Usually, your holding period is the amount of time you actually held the property eventually delivered to the lender to close the short sale. However, your gain when closing a short sale is short-term if you:

- Held substantially identical property for 1 year or less on the date of the short sale, or
- Acquired property substantially identical to the property sold short after the short sale but on or before the date you close the short sale.

If you held substantially identical property for more than 1 year on the date of a short sale, any loss realized on the short sale is a long-term capital loss, even if the property used to close the short sale was held 1 year or less.

Similar rules apply to substantially identical property held for more than 1 year but not more than 18 months.

Include amounts in column (g) based on the date you closed the short sale.

## Constructive Sales Treatment for Certain Appreciated Positions

Generally, you must recognize gain (but not loss) on the date you enter into a constructive sale of any appreciated position in stock, a partnership interest, or certain debt instruments as if the position were disposed of at fair market value on that date. In most cases, this new rule applies to constructive sales after June 8, 1997.

You are treated as making a constructive sale of an appreciated position when you (or a related person, in some cases) do one of the following:

- Enter into a short sale of the same or substantially identical property (i.e., a "short sale against the box").
- Enter into an offsetting notional principal contract relating to the same or substantially identical property.
- Enter into a futures or forward contract to deliver the same or substantially identical property.
- Acquire the same or substantially identical property (if the appreciated position is a short sale, offsetting notional principal contract, or a futures or forward contract).

**Exception.** Generally, constructive sale treatment **does not** apply if:

- You closed the transaction before the end of the 30th day after the end of the year in which it was entered into,
- You held the appreciated position to which the transaction relates throughout the 60-day period starting on the date the transaction was closed, **and**
- At no time during that 60-day period was your risk of loss reduced by holding certain other positions.

For details and other exceptions to these rules, see Pub. 550.

## Gain or Loss From Options

Report on Schedule D gain or loss from the closing or expiration of an option that is not a section 1256 contract, but that is a capital asset in your hands. If a purchased option expired, enter the expiration date in column (c), and write "**EXPIRED**" in column (d). If an option that was granted (written) expired, enter the expiration date in column (b), and write "**EXPIRED**" in column (e). Fill in the other columns as appropriate. See Pub. 550 for more details.

## Sales of Stock to ESOPs or EWOCs

If you sold qualified securities (defined in section 1042(c)(1)) held for at least 3 years to an employee stock ownership plan (ESOP) or eligible worker-owned cooperative (EWOC), you may be able to elect to postpone all or part of the gain on the sale if you bought qualified replacement property (securities) within the period that began 3 months before the sale and ended 12 months after the sale. If you make the election, you must recognize gain on the sale only to the extent the proceeds from the sale exceed the cost of the qualified replacement property. You must reduce the basis of the replacement property by any postponed gain. If you dispose of any replacement

property, you may have to recognize all of the postponed gain.

Generally, to qualify for the election, the ESOP or EWOC must own immediately after the sale at least 30% of the outstanding stock of the corporation that issued the qualified securities. Also, the qualified replacement property must have been issued by a domestic operating corporation.

You must make the election no later than the due date (including extensions) for filing your tax return for the year in which you sold the stock. To make the election, report the entire gain realized on the sale on line 8. Directly below the line on which you reported the gain, enter in column (a) "Section 1042 election" and enter as a (loss) in column (f) the amount of the gain you are postponing or expect to postpone. For both lines, enter the appropriate amount in column (g). If the actual postponed gain is different from what you expected, file an amended return.

Also attach the following statements:

1. A "statement of election" that indicates you are making an election under section 1042(a) and that includes the following information: (a) a description of the securities sold, the date of the sale, the amount realized on the sale, and the adjusted basis of the qualified securities; (b) the name of the ESOP or EWOC to which the qualified securities were sold; and (c) for a sale that was part of a single, interrelated transaction under a prearranged agreement between taxpayers involving other sales of qualified securities, the names and identifying numbers of the other taxpayers under the agreement and the number of shares sold by the other taxpayers.

2. A notarized "statement of purchase" describing the qualified replacement property, date of purchase, and the cost of the property, and declaring the property to be qualified replacement property for the qualified stock you sold. The statement must have been notarized no later than 30 days after the purchase. If you have not yet purchased the qualified replacement property, you must attach the notarized "statement of purchase" to your income tax return for the year following the election year (or the election will not be valid).

3. A verified written statement of the domestic corporation whose employees are covered by the ESOP acquiring the qualified securities, or of any authorized officer of the EWOC, consenting to the taxes under sections 4978 and 4979A on certain dispositions and prohibited allocations of the stock purchased by the ESOP or EWOC.

For details, see section 1042 and Temporary Regulations section 1.1042-1T.

## Specialized Small Business Investment Companies (SSBICs)

If you sold publicly traded securities, you may be able to postpone all or part of the gain on that sale if you bought common stock or a partnership interest in an SSBIC during the 60-day period that began on the date of the sale. An SSBIC is any partnership or corporation licensed by the Small Business Administration under section 301(d) of the Small Business Investment Act of 1958.

You must recognize gain to the extent the sale proceeds exceed the cost of your SSBIC stock or partnership interest purchased during the 60-day period that began on the date of the sale (and not previously taken into account). The gain you postpone is limited to \$50,000 a year and \$500,000 during your lifetime (reduce these amounts by one-half if you are married filing separately). Reduce the basis of your SSBIC stock or partnership interest by any postponed gain.

If you choose to postpone gain, report the entire gain realized on the sale on line 1 or 8. Directly below the line on which you reported the gain, enter in column (a) "SSBIC Rollover" and enter as a (loss) in column (f) the amount of the postponed gain. For both lines, enter the appropriate amount in column (g). Also attach a schedule showing (a) how you figured the postponed gain, (b) the name of the SSBIC in which you purchased common stock or a partnership interest, (c) the date of that purchase, and (d) your new basis in that SSBIC stock or partnership interest.

## Rollover of Gain From Qualified Stock

If you held qualified small business stock (as defined in section 1202(c)) for more than 6 months and sold it after August 5, 1997, you may postpone gain if you purchase other qualified small business stock during the 60-day period that began on the date of the sale. You must recognize gain to the extent the sale proceeds exceed the cost of the replacement stock. Reduce the basis of the replacement stock by any postponed gain.

If you choose to postpone gain, report the entire gain realized on the sale on line 1 or 8. Directly below the line on which you reported the gain, enter in column (a) "Section 1045 Rollover" and enter as a (loss) in column (f) the amount of the postponed gain. For both lines, enter the appropriate amount in column (g).

## Partnership Interests

A sale or other disposition of an interest in a partnership may result in ordinary income or unrecaptured section 1250 gain. See Pub. 541.

## Undistributed Capital Gains

Include on line 11 the amount on Form 2439 that represents your share of the undistributed long-term capital gains of a regulated investment company or real estate investment trust (REIT). Enter on Form 1040, line 59, the tax paid by the company or REIT shown on Form 2439. Add to the basis of your stock the excess of the amount included in income over the amount of the credit. See Pub. 550 for more details.

## Capital Gain Distributions

Enter on line 13, column (f), the total capital gain distributions paid to you during the year, regardless of how long you held your investment. Enter on line 13, column (g), the total of the amounts reported to you as the 28% rate gain portion of your total capital gain distributions. See Pub. 550 for more details.

## Installment Sales

If you sold property (other than publicly traded stocks or securities) at a gain 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 to report the sale on the installment method. Also use Form 6252 to report any payment received in 1997 from a sale made in an earlier year that you reported on the installment method. To elect out of the installment method, report the full amount of the gain on Schedule D on a timely filed return (including extensions).

## Specific Instructions

### Parts I and II

#### Column (b)—Date Acquired

Enter in this column the date the asset was acquired. Use the trade date for stocks and bonds traded on an exchange or over-the-counter market. For stock or other property sold short, enter the date the stock or property was delivered to the broker or lender to close the short sale.

If you disposed of property that you acquired by inheritance, report the gain or (loss) on line 8 and write "INHERITED" in column (b) instead of the date you acquired the property.

If you sold a block of stock (or similar property) that was acquired through several different purchases, you may report the sale on one line and write "VARIOUS" in column (b). However, you still must report the short-term gain or (loss) on the sale in Part I and the long-term gain or (loss) in Part II. Also, enter the appropriate amount in column (g).

#### Column (c)—Date Sold

Enter in this column the date the asset was sold. Use the trade date for stocks and bonds traded on an exchange or over-the-counter market. For stock or other property sold short, enter the date you sold the stock or property you borrowed to open the short sale transaction.

#### 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). But if Form 1099-B (or your broker) indicates that gross proceeds minus commissions and option premiums were reported to the IRS, enter that net amount in column (d). If the net amount is entered in column (d), do not include the commissions and option premiums from the sale in column (e).

You should not have received a Form 1099-B (or substitute statement) for a transaction merely representing the return of your original investment in a nontransferable obligation, such as a savings bond or a certificate of deposit. But if you did, report the amount shown on Form 1099-B (or substitute statement) in both columns (d) and (e).

**Caution:** Be sure to add all sales price entries on lines 1 and 8, column (d), to amounts on

lines 2 and 9, column (d). Enter the totals on lines 3 and 10.

## Column (e)—Cost or Other Basis

In general, the cost or other basis is the cost of the property plus purchase commissions and improvements, minus depreciation, amortization, and depletion. If you inherited the property, got it as a gift, or received it in a tax-free exchange, involuntary conversion, or "wash sale" of stock, you may not be able to use the actual cost as the basis. If you do not use the actual 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. See Pub. 550 for details on how to figure your basis in stock that split while you owned it.

You can choose to use an average basis for mutual fund shares if you acquired the shares at various times and prices and you left the shares on deposit in an account handled by a custodian or agent who acquired or redeemed those shares. For details on how to figure average basis, see Pub. 564.

The basis of property acquired by gift is generally 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. See Pub. 544 for details.

Increase the cost or other basis of an original issue discount (OID) debt instrument 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 bargain sale of property to a charitable organization, the adjusted basis for purposes of determining gain from the sale is the 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 fees, commissions, state and local transfer taxes, and option premiums, before making an entry in column (e), unless you reported the net sales price in column (d).

For more details, see **Pub. 551**.

## Column (f)—Gain or (Loss) for Entire Year

You must make a separate entry in this column for each transaction reported on lines 1 and 8 and any other line(s) that applies to you. For lines 1 and 8, subtract the amount in column (e) from the amount in column (d). Enter negative amounts in parentheses.

## Column (g)—28% Rate Gain or (Loss)

Enter the amount, if any, from Part II, column (f), that is from a sale, exchange, or conversion (or an installment payment received):

- Before May 7, 1997, OR
- After July 28, 1997, for assets held more than 1 year but not more than 18 months.

Also include collectibles gains and losses. A **collectibles gain or loss** is any gain or loss from the sale or exchange of a collect-

ible that is a capital asset but **only** if that asset was held **either**:

- More than 18 months, OR
- More than 1 year but not more than 18 months if sold or exchanged after May 6, 1997, but before July 29, 1997.

Collectibles gain also includes gain from the sale of an interest in a partnership, S corporation, or trust attributable to unrealized appreciation of collectibles.

**Collectibles** include works of art, rugs, antiques, metals (such as gold, silver, and platinum bullion), gems, stamps, coins, alcoholic beverages, and certain other tangible property.

Enter negative amounts in parentheses.

## Lines 1 and 8

Enter all sales and exchanges of capital assets, including stocks, bonds, etc., and real estate (if not reported on Form 2119, 4684, 4797, 6252, 6781, or 8824). Include these transactions even if you did not receive a Form 1099-B or 1099-S (or substitute statement) for the transaction. You can use abbreviations to describe the property as long as they are based on the descriptions of the property as shown on Form 1099-B or 1099-S (or substitute statement).

Use **Schedule D-1** if you need more space to list transactions for lines 1 and 8. Use as many Schedules D-1 as you need. Enter on Schedule D, lines 2 and 9, the combined totals from all your Schedules D-1.

**Caution:** Add the following amounts reported to you for 1997 on Forms 1099-B and 1099-S (or on substitute statements): **(a)** proceeds from transactions involving stocks, bonds, and other securities, and **(b)** gross proceeds from real estate transactions not reported on another form or schedule. If this

total is **more** than the total of lines 3 and 10, attach a statement explaining the difference.

## Part IV

### Line 25

**Unrecaptured section 1250 gain** is figured as follows:

**STEP 1.** For each section 1250 property in Part III of Form 4797 for which you **did not** have an entry in column (h) of Part I of Form 4797, subtract line 26g of Form 4797 from the **smaller** of line 22 or line 24 of Form 4797.

**STEP 2.** Add the amount(s) from Step 1 and any amounts reported to you on Schedules K-1 from a partnership or an S corporation as "unrecaptured section 1250 gain."

**STEP 3.** Figure the **smaller** of **(a)** the total from Step 2, or **(b)** the gain, if any, from Form 4797, line 7, column (g).

**STEP 4.** If you **did not** have an entry on Form 4797, line 8, the amount for Step 4 is the amount from Step 3. If you had an entry on Form 4797, line 8, column (g), reduce that amount by the amount, if any, from Form 4797, line 8, column (h). Then, subtract the result from the amount from Step 3.

**STEP 5.** Add the result from Step 4 to the total amounts reported to you as "unrecaptured section 1250 gain" from an estate, a trust, a real estate investment trust, or a mutual fund.

**STEP 6.** Combine the loss, if any, on Schedule D, line 7, with the gain or loss on Schedule D, line 15. If the result is zero or a gain, enter on line 25 the amount you figured in Step 5. If the result is a loss, combine that loss with the amount you figured in Step 5 and enter the result on line 25, but not less than zero.

## Capital Loss Carryover Worksheet—Line 18 (keep for your records)



You may deduct capital losses up to the amount of your capital gains plus \$3,000 (\$1,500 if married filing separately). Capital losses that exceed this amount are carried forward to later years. Use this worksheet to figure your capital loss carryovers from 1997 to 1998 if Schedule D, line 18, is a loss and **(a)** that loss is a smaller loss than the loss on Schedule D, line 17, or **(b)** Form 1040, line 36, is a loss.

1. Enter the amount from Form 1040, line 36. If a loss, enclose the amount in parentheses . . . . . 1. \_\_\_\_\_
  2. Enter the loss from Schedule D, line 18, as a positive amount . . . . . 2. \_\_\_\_\_
  3. Combine lines 1 and 2. If zero or less, enter -0- . . . . . 3. \_\_\_\_\_
  4. Enter the **smaller** of line 2 or line 3 . . . . . 4. \_\_\_\_\_
- Note:** If line 7 of Schedule D is a loss, go to line 5; otherwise, enter -0- on line 5 and go to line 9.
5. Enter the loss from Schedule D, line 7, as a positive amount . . . . . 5. \_\_\_\_\_
  6. Enter any gain from Schedule D, line 16 . . . . . 6. \_\_\_\_\_
  7. Add lines 4 and 6 . . . . . 7. \_\_\_\_\_
  8. **Short-term capital loss carryover to 1998.** Subtract line 7 from line 5. If zero or less, enter -0- . . . . . 8. \_\_\_\_\_
- Note:** If line 16 of Schedule D is a loss, go to line 9; otherwise, skip lines 9 through 13.
9. Enter the loss from Schedule D, line 16, as a positive amount . . . . . 9. \_\_\_\_\_
  10. Enter any gain from Schedule D, line 7 . . . . . 10. \_\_\_\_\_
  11. Subtract line 5 from line 4. If zero or less, enter -0- . . . . . 11. \_\_\_\_\_
  12. Add lines 10 and 11 . . . . . 12. \_\_\_\_\_
  13. **Long-term capital loss carryover to 1998.** Subtract line 12 from line 9. If zero or less, enter -0- . . . . . 13. \_\_\_\_\_

# Instructions for Schedule E, Supplemental Income and Loss

Use Schedule E to report income or loss from rental real estate, royalties, partnerships, S corporations, estates, trusts, and residual interests in REMICs.

You may attach your own schedule(s) to report income or loss from any of these sources. Use the same format as on Schedule E.

Enter separately on Schedule E the total income and the total loss for each part. Enclose loss figures in (parentheses).

## Part I

### Income or Loss from Rental Real Estate and Royalties

Use Part I to report:

- Income and expenses from rentals of real estate (including personal property leased with real estate), and
- Royalty income and expenses.

See the instructions for lines 3 and 4 to determine if you should report your rental real estate and royalty income on Schedule C, Schedule C-EZ, or **Form 4835** instead.

If you own a part interest in a rental real estate property, report only your part of the income and expenses on Schedule E.

If you have more than three rental real estate or royalty properties, complete and attach as many Schedules E as you need to list them. Complete lines 1 and 2 for each property. But fill in the "Totals" column only on one Schedule E. The figures in the "Totals" column on that Schedule E should be the combined totals of all your Schedules E.

If you are also using page 2 of Schedule E, use the same Schedule E on which you entered the combined totals for Part I.

**Personal Property.** Do not use Schedule E to report income and expenses from the rental of personal property, such as equipment or vehicles. Instead, use Schedule C or C-EZ if you are in the business of renting personal property. You are in the business of renting personal property if the primary purpose for renting the property is income or profit, and you are involved in the rental activity with continuity and regularity.

If your rental of personal property is not a business, see the Instructions for Form 1040, lines 21 and 31, to find out how to report the income and expenses.

### Filers of Form 1041

If you are a fiduciary filing Schedule E with Form 1041, enter the estate's or trust's employer identification number (EIN) in the block for "Your social security number."

### Line 1

For rental real estate property only, show:

- The kind of property you rented out (for example, brick duplex).
- The street address, city or town, and state. You do not have to give the ZIP code.
- Your percentage of ownership in this property, if less than 100%.

### Line 2

If you rented out a dwelling unit that you also used for **personal purposes** during the year, you may not be able to deduct all the expenses for the rental part. "Dwelling unit" (unit) means a house, apartment, condominium, or similar property.

Check "Yes" if you or your family used the unit for personal purposes in 1997 more than the **greater** of:

1. 14 days; or
2. 10% of the total days it was rented to others at a fair rental price.

Otherwise, check "No."

**What Is Personal Use?** A day of personal use is any day, or part of a day, that the unit was used by:

- You for personal purposes.
- Any other person for personal purposes, if that person owns part of the unit (unless rented to that person under a "shared equity" financing agreement).
- Anyone in your family (or in the family of someone else who owns part of the unit), unless the unit is rented at a fair rental price to that person as his or her main home.
- Anyone who pays less than a fair rental price for the unit.
- Anyone under an agreement that lets you use some other unit.

**Do not** count as personal use:

- Any day you spent working substantially full time repairing and maintaining the unit, even if family members used it for recreational purposes on that day.
- The days you used the unit as your main home before or after renting it or offering it for rent, if you rented or tried to rent it for at least 12 consecutive months (or for a period of less than 12 consecutive

months at the end of which you sold or exchanged it).

If you checked "No," you can deduct all your expenses for the rental part, subject to the **At-Risk Rules** and the **Passive Activity Loss Rules** explained on page E-3.

If you checked "Yes" and rented the unit out for fewer than 15 days, do not report the rental income and do not deduct any rental expenses. If you itemize deductions on Schedule A, you may deduct allowable interest, taxes, and casualty losses.

If you checked "Yes" and rented the unit out for at least 15 days, you may NOT be able to deduct all your rental expenses.

You can deduct all of the following expenses for the rental part on Schedule E:

- Mortgage interest.
- Real estate taxes.
- Casualty losses.
- Other rental expenses not related to your use of the unit as a home, such as advertising expenses and rental agents' fees.

If any income is left after deducting these expenses, you can then deduct other expenses, including depreciation. But you cannot deduct more expenses than the income that is left. You can carry over the amounts you cannot deduct to 1998.

See **Pub. 527** for more details.

### Line 3

If you were not in the real estate sales business but you received rental income from real estate (including personal property leased with real estate), report it on line 3. Include room and other space rentals. If you received services or property instead of money as rent, report its fair market value.

Be sure to enter your total rents in the "Totals" column even if you have only one property.

If you provided significant services to the renter, such as maid service, report the rental on Schedule C or C-EZ, not on Schedule E. Significant services **do not** include the furnishing of heat and light, cleaning of public areas, trash collection, etc.

If you were in the real estate sales business, include on line 3 only the rent received from real estate (including per-

sonal property leased with real estate) you held for investment or speculation. Do not use Schedule E to report income and expenses from rentals of real estate held for sale to customers in the ordinary course of your real estate sales business. Instead, use Schedule C or C-EZ for these rentals.

For more details on rental income, use TeleTax topic 414 (see page 34 of the Form 1040 instructions) or see Pub. 527.

**Rental Income From Farm Production or Crop Shares.** Report farm rental income and expenses on Form 4835 if:

- You received rental income based on crops or livestock produced by the tenant, and
- You did not manage or operate the farm to any great extent.

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## Line 4

Report on line 4 **royalties** from oil, gas, or mineral properties (not including operating interests); copyrights; and patents. Enter your total royalties in the "Totals" column.

If you received \$10 or more in royalties during 1997, you should receive a **Form 1099-MISC** or similar statement, showing them. The payer must send this statement to you by February 2, 1998.

If you are in business as a self-employed writer, inventor, artist, etc., report your royalty income and expenses on Schedule C or C-EZ.

You may be able to 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 details, see **Pub. 544**.

Enter on line 4 the gross amount of royalty income, even if state or local taxes were withheld from oil or gas payments you received. Include taxes withheld by the producer on line 16.

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## General Instructions for Lines 5 Through 21

Enter your rental and royalty expenses for each property in the appropriate column. You can deduct all ordinary and necessary expenses, such as taxes, interest, repairs, insurance, management fees, agents' commissions, and depreciation.

Do not deduct the value of your own labor or amounts paid for capital investments or capital improvements.

Enter your total expenses for mortgage interest (line 12), total expenses before depreciation expense or depletion (line 19), and depreciation expenses or depletion (line 20) in the "Totals" column even if you have only one property.

**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 applies to the rented part.

**Credit or Deduction for Access Expenditures.** You may be able to claim a tax credit for eligible expenditures paid or incurred in 1997 to provide access to your

business for individuals with disabilities. See **Form 8826** for details.

You can also deduct up to \$15,000 of qualified costs paid or incurred in 1997 to remove architectural or transportation barriers to individuals with disabilities and the elderly.

You cannot take both the credit and the deduction for the same expenditures. See **Pub. 535** for details.

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## Line 6

You may deduct ordinary and necessary auto and travel expenses related to your rental activities, including 50% of meal expenses incurred while traveling away from home. If you own your auto, you can deduct either your actual expenses or take the standard mileage rate. You **must** use actual expenses if:

- You do not own the auto you use in your rental activities, or
- You use more than one vehicle simultaneously in your rental activities (as in fleet operations).

If you deduct actual auto expenses, include on line 6 the rental activity portion of the cost of gasoline, oil, repairs, insurance, tires, etc. Show auto rental or lease payments on line 18 and depreciation on line 20.

If you want to take the standard mileage rate, multiply the number of miles you drove your auto in connection with your rental activities by 31.5 cents a mile. Include this amount and your parking fees and tolls on line 6.

If you claim any auto expenses (actual or the standard mileage rate), you must provide the information requested in Part V of **Form 4562** and attach Form 4562 to your return.

See Pub. 527 and **Pub. 463** for more details.

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## Line 10

Include on line 10 fees for tax advice related to your rental real estate or royalty properties and for preparation of the tax forms related to those properties.

Do not deduct legal fees paid or incurred to defend or protect title to property, to recover property, or to develop or improve property. Instead, you must capitalize these fees and add them to the property's basis.

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## Lines 12 and 13

In general, to determine the interest expense allocable to your rental activities, you must have records to show how the proceeds of each debt were used. Specific tracing rules apply for allocating debt proceeds and repayment. See Pub. 535 for details.

If you have a mortgage on your rental property, enter on line 12 the interest you paid for 1997 to banks or other financial institutions. Be sure to fill in the "Totals" column.

Do not deduct prepaid interest when you paid it. You can deduct it only in the year to which it is properly allocable. Points (including loan origination fees) charged only for the use of money must be deducted over the life of the loan.

If you paid \$600 or more in interest on a mortgage, the recipient should send you a **Form 1098** or similar statement by February 2, 1998, showing the total interest received from you during 1997.

If you paid more mortgage interest than is shown on your Form 1098 or similar statement, see Pub. 535 to find out if you can deduct the additional interest. If you can, enter the entire amount on line 12. Attach a statement to your return explaining the difference. Write "See attached" in the left margin next to line 12.

**Note:** *If the recipient was not a financial institution or you did not receive a Form 1098 from the recipient, report your deductible mortgage interest on line 13.*

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 Form 1098, report your share of the interest on line 13. Attach a statement to your return showing the name and address of the person who received Form 1098. In the left margin next to line 13, write "See attached."

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## Line 17

You may deduct the actual cost of ordinary and necessary telephone calls that are related to your rental activities or royalty income (e.g., calls to the renter). However, the base rate (including taxes and other charges) for local telephone service for the first telephone line into your residence is a personal expense and is not deductible.

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## Line 20

Depreciation is the annual deduction you must take to recover the cost or other basis of business or investment property with a useful life of more than 1 year. Land is not depreciable.

Depreciation starts when you first use the property in your business or for the production of income. It ends when you take the property out of service, deduct all your depreciable cost or other basis, or no longer use the property in your business or for the production of income.

For property placed in service after 1980, see the Instructions for Form 4562 to figure the amount of depreciation to enter on line 20. For property placed in service before 1981, figure depreciation from your own books and records and enter the total on line 20. Be sure to fill in the "Totals" column.

You must complete and attach Form 4562 **only** if:

- You are claiming depreciation on property first placed in service during 1997, or

- You are claiming depreciation on listed property (defined in the Instructions for Form 4562), including a vehicle, regardless of the date it was placed in service, or

- You are claiming a section 179 expense deduction or amortization of costs that began in 1997.

See Pub. 527 for more information on depreciation of residential rental property. See **Pub. 946** for a more comprehensive guide to depreciation.

If you own mineral property or an oil, gas, or geothermal well, you may be able to take a deduction for depletion. See Pub. 535 for details.

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## Line 22

### At-Risk Rules

Generally, you must complete **Form 6198** to figure your allowable loss if you have:

- A loss from an activity carried on as a trade or business or for the production of income, **and**

- Amounts in the activity for which you are not at risk.

The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the activity. However, the at-risk rules do not apply to losses from an activity of holding real property, if you acquired your interest in the activity before 1987 and the property was placed in service before 1987. The activity of holding mineral property does not qualify for this exception.

In most cases, you are **not** at risk for amounts such as:

- Nonrecourse loans used to finance the activity, to acquire property used in the activity, or to acquire your interest in the activity that are not secured by your own property (other than property used in the activity). However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property. See **Qualified nonrecourse financing** below.

- Cash, property, or borrowed amounts used in the activity (or contributed to the activity, or used to acquire your interest in the activity) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).

- Amounts borrowed for use in the activity from a person who has an interest in the activity (other than as a creditor) or who is related, under Internal Revenue Code section 465(b)(3), to a person (other than you) having such an interest.

**Qualified nonrecourse financing** is treated as an amount at risk if it is secured by real property used in an activity of holding real property that is subject to the at-risk rules. Qualified nonrecourse financing is financing for which no one is personally liable for repayment and is:

- Borrowed by you in connection with holding real property,

- Not convertible from a debt obligation to an ownership interest, **and**

- Loaned or guaranteed by any Federal, state, or local government, or borrowed by you from a **qualified person**.

A **qualified person** is a person who actively and regularly engages in the business of lending money, such as a bank or savings and loan association. A qualified person **cannot** be:

- Related to you (unless the nonrecourse financing obtained is commercially reasonable and on the same terms as loans involving unrelated persons), or

- The seller of the property (or a person related to the seller), or

- A person who receives a fee due to your investment in real property (or a person related to that person).

If you have amounts for which you are not at risk, use Form 6198 to determine the amount of your deductible loss. Enter that amount in the appropriate column of Schedule E, line 22. In the space to the left of line 22, write "Form 6198." Attach Form 6198 to your return.

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## Line 23

**Note: Do not complete line 23 if the amount on line 22 is from royalty properties.**

If you have a rental real estate loss from a passive activity (defined later), the amount of loss you can deduct may be limited by the passive activity loss rules. You may need to complete **Form 8582** to figure the amount of loss, if any, to enter on line 23.

If your rental real estate loss is not from a passive activity **OR** you meet the following exception, you do not have to complete Form 8582. Enter the loss from line 22 on line 23.

**Exception for Certain Rental Real Estate Activities.** If you meet **ALL THREE** of the following conditions, your rental real estate losses are not limited by the passive activity loss rules. If you **do not** meet **ALL THREE** of these conditions, see the Instructions for Form 8582 to find out if you must complete and attach Form 8582.

1. Rental real estate activities are your only passive activities.

2. You do not have any prior year unallowed losses from any passive activities.

3. **All** of the following apply if you have an overall net loss from these activities:

- You actively participated (defined later) in all of the rental real estate activities; **and**

- If married filing separately, you lived apart from your spouse all year; **and**

- Your overall net loss from these activities is \$25,000 or less (\$12,500 or less if married filing separately); **and**

- You have no current or prior year unallowed credits from passive activities; **and**

- Your modified adjusted gross income (defined later) is \$100,000 or less (\$50,000 or less if married filing separately).

**Active Participation.** You can meet the active participation requirement without regular, continuous, and substantial involvement in real estate activities. But you must have participated in making management decisions or arranging for others to provide services (such as repairs) in a significant and bona fide sense. Such management decisions include:

- Approving new tenants.

- Deciding on rental terms.

- Approving capital or repair expenditures.

- Other similar decisions.

You are not considered to actively participate if, at any time during the tax year, your interest (including your spouse's interest) in the activity was less than 10% by value of all interests in the activity.

**Modified Adjusted Gross Income.** This is your adjusted gross income from Form 1040, line 32, without taking into account:

- Any passive activity loss.

- Rental real estate losses allowed under the exception for real estate professionals (explained on page E-4).

- Taxable social security or equivalent railroad retirement benefits.

- Deductible contributions to an IRA or certain other qualified retirement plans under Internal Revenue Code section 219.

- The deduction for one-half of self-employment tax.

- The exclusion of amounts received under an employer's adoption assistance program.

However, if you file **Form 8815**, include in your modified adjusted gross income the savings bond interest excluded on line 14 of that form.

### Passive Activity Loss Rules

The passive activity loss rules may limit the amount of losses you can deduct. These rules apply to losses in Parts I, II, and III, and line 39 of Schedule E.

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

You generally can deduct losses from passive activities only to the extent of income from passive activities. An exception applies to certain rental real estate activities (as previously explained).

**Passive Activity.** A passive activity is any business activity in which you **do not** materially participate and any rental activity, except as provided on page E-4. If you are a limited partner, you generally are not treated as having materially participated in the partnership's activities for the year.

The rental of real or personal property is generally a rental activity under the passive activity loss rules, but exceptions apply. If your rental of property is not treated as a rental activity, you must determine

whether it is a trade or business activity, and if so, whether you materially participated in the activity for the tax year.

See the Instructions for Form 8582 to determine whether you materially participated in the activity and for the definition of "rental activity."

See **Pub. 925** for special rules that apply to rentals of:

- Substantially nondepreciable property.
- Property incidental to development activities.
- Property to activities in which you materially participate.

**Exception for Real Estate Professionals.** If you were a real estate professional in 1997, any rental real estate activity in which you materially participated is not a passive activity. You were a **real estate professional** only if you met **both** of the following conditions.

1. More than half of the personal services you performed in trades or businesses were performed in real property trades or businesses in which you materially participated, and
2. You performed more than 750 hours of services in real property trades or businesses in which you materially participated.

For purposes of this rule, each interest in rental real estate is a separate activity, unless you elect to treat all your interests in rental real estate as one activity. To make this election, attach a statement to your original tax return that declares you are a qualifying taxpayer for the year and you are making the election under Internal Revenue Code section 469(c)(7)(A). The election applies for the year made and all later years in which you are a real estate professional. You may revoke the election only if your facts and circumstances materially change.

If you are married filing jointly, either you or your spouse must separately meet both of the above conditions, without taking into account services performed by the other spouse.

A real property trade or business is any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage trade or business. Services you performed as an employee are not treated as performed in a real property trade or business unless you owned more than 5% of the stock (or more than 5% of the capital or profits interest) in the employer.

If you were a real estate professional for 1997, complete line 42 on page 2 of Schedule E.

**Other Exceptions.** The rental of your home that you also used for personal purposes is not a passive activity. See the instructions for line 2.

A working interest in an oil or gas well 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.

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

For more details on passive activities, see the Instructions for Form 8582 and Pub. 925.

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## Parts II and III

If you need more space in Part II or III to list your income or losses, attach a continuation sheet using the same format as shown in Part II or III. However, be sure to complete the "Totals" columns for lines 28a and 28b, or lines 33a and 33b, as appropriate. If you also completed Part I on more than one Schedule E, use the same Schedule E on which you entered the combined totals in Part I.

**Tax Shelter Registration Number.** Complete and attach **Form 8271** if you are reporting any deduction, loss, credit, other tax benefit, or income from an interest purchased or otherwise acquired in a tax shelter.

Form 8271 reports the name, tax shelter registration number, and identifying number of the tax shelter. There is a \$250 penalty if you do not report the registration number of the tax shelter 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 preferences and adjustments from these entities for the alternative minimum tax on **Form 6251** or Schedule I of **Form 1041**.

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## Part II

### Income or Loss From Partnerships and S Corporations

If you are a member of a partnership or joint venture or a shareholder in an S corporation, use Part II to report your share of the partnership or S corporation income (even if not received) or loss.

You should receive a **Schedule K-1** from the partnership or the S corporation. You should also receive a copy of the Partner's or Shareholder's Instructions for Schedule K-1. Your copy of Schedule K-1 and its instructions will tell you where on your return to report your share of the items. If you did not receive these instructions with your Schedule K-1, see page 4 of the Form 1040 instructions for how to get a copy.

**Do not** attach Schedules K-1 to your return. Keep them for your records.

**Special rules apply that limit losses.** Please note the following:

- If you have a current year loss, or a prior year unallowed loss, from a partner-

ship or an S corporation, see **At-Risk Rules and Passive Activity Loss Rules** on page E-3.

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. If you are subject to the at-risk rules for any activity, use Form 6198 to figure the amount of any deductible loss. If the activity is nonpassive, enter any deductible loss from Form 6198 on the appropriate line in Part II, column (i), of Schedule E.

- If you have a passive activity loss, you generally need to complete Form 8582 to figure the amount of the allowable loss to enter in Part II, column (g), for that activity. But if you are a **general** partner or an S corporation shareholder reporting your share of a partnership or an S corporation loss from a rental real estate activity, **and** you meet **ALL THREE** of the conditions listed in the instructions for line 23, you do not have to complete Form 8582. Instead, enter your allowable loss in Part II, column (g).

If you have passive activity income, complete Part II, column (h), for that activity.

If you have nonpassive income or losses, complete Part II, columns (i) through (k), as appropriate.

If you are treating items on your tax return differently from the way the partnership or S corporation treated them on its return, you may have to file **Form 8082**.

### Partnerships

See the Schedule K-1 instructions before entering on your return other partnership items from a passive activity or income or loss from any publicly traded partnership.

If you have other partnership items, such as depletion, from a nonpassive activity, show each item on a separate line in Part II. You may deduct unreimbursed ordinary and necessary expenses you paid on behalf of the partnership if you were required to pay these expenses under the partnership agreement. Enter deductible **unreimbursed partnership expenses** from nonpassive activities on a separate line in Part II, column (i). However, enter on Schedule A any unreimbursed partnership expenses deductible as itemized deductions.

Report allowable interest expense paid or incurred from debt-financed acquisitions in Part II or on Schedule A depending on the type of expenditure to which the interest is allocated. See Pub. 535 for details.

If you claimed a credit for Federal tax on gasoline or other fuels on your 1996 Form 1040 based on information received from the partnership, enter as income in column (h) or column (k), whichever applies, the amount of the credit claimed in 1996.

If you have losses or deductions from a prior year that you could not deduct because of the at-risk or basis rules, and the



amounts are now deductible, 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 the prior year amounts and the current year amounts on separate lines of Schedule E.

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**. Enter the amount from Schedule K-1 (Form 1065), line 15a, on Schedule SE, after you reduce this amount by any allowable expenses attributable to that income.

## S Corporations

If you are a shareholder in an S corporation, your share of the corporation's aggregate losses and deductions (combined income, losses, and deductions) is limited to the adjusted basis of your corporate stock and any debt the corporation owes you. Any loss or deduction not allowed this year because of the basis limitation may be carried forward and deducted in a later year subject to the basis limitation for that year.

If you are claiming a deduction for your share of an aggregate loss, attach to your return a computation of the adjusted basis of your corporate stock and of any debt the corporation owes you. See the Schedule K-1 instructions for more information.

After applying the basis limitation, the deductible amount of your aggregate losses and deductions may be further reduced by the at-risk rules and the passive activity loss rules explained earlier.

If you have losses or deductions from a prior year that you could not deduct because of the basis or at-risk limitations, and the amounts are now deductible, **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 the prior year amounts and the current year amounts on separate lines of Schedule E.

Distributions of prior year accumulated earnings and profits of S corporations are dividends and are reported on Form 1040, line 9.

Interest expense relating to the acquisition of shares in an S corporation may be fully deductible on Schedule E. For details, see Pub. 535.

Your share of the net income of an S corporation is NOT subject to self-employment tax.

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## Part III

### Income or Loss From Estates and Trusts

If you are a beneficiary of an estate or trust, use Part III to report your part of the income (even if not received) or loss. You should receive a **Schedule K-1** (Form 1041) from the fiduciary. Your copy of

Schedule K-1 and its instructions will tell you where on your return to report the items from Schedule K-1. Do not attach Schedule K-1 to your return. Keep it for your records.

If you have estimated taxes credited to you from a trust (Schedule K-1, line 14a), write "ES payment claimed" and the amount on the dotted line next to line 36. **Do not** include this amount in the total on line 36. Instead, enter the amount on Form 1040, line 55.

A U.S. person who transferred property to a foreign trust may have to report the income received by the trust as a result of the transferred property if, during 1997, the trust had a U.S. beneficiary. For details, see **Form 3520**.

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## Part IV

### Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)

If you are the holder of a residual interest in 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 Schedules Q to your return. Keep them for your records.

If you are the holder of a residual interest in more than one REMIC, attach a continuation sheet using the same format as 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 on which you entered the combined totals in Part I.

REMIC income or loss is not income or loss from a passive activity.

**Note:** *If you are the holder of a regular interest in a REMIC, do not use Schedule E to report the income you received. Instead, report it on Form 1040, line 8a.*

**Column (c).** Report the total of the amounts shown on Schedule(s) Q, line 2c. This is the **smallest** amount you are allowed to report as your taxable income (Form 1040, line 38). It is also the **smallest** amount you are allowed to report as your alternative minimum taxable income (AMTI) (Form 6251, line 21).

If the amount in column (c) is larger than your taxable income would otherwise be, enter the amount from column (c) on Form 1040, line 38. Similarly, if the amount in column (c) is larger than your AMTI would otherwise be, enter the amount from column (c) on Form 6251, line 21. Write "Sch. Q" on the dotted line to the left of this amount on Forms 1040 and 6251.

**Note:** *These rules also apply to estates and trusts that hold a residual interest in a REMIC. Be sure to make the appropriate entries on the comparable lines on Form 1041.*

**Caution:** *Do not include the amount shown in column (c) in the total on line 38.*

**Column (e).** Report the total of the amounts shown on Schedule(s) Q, line 3b. If you itemize your deductions on Schedule A, include this amount on line 22.

If you are treating REMIC items on your tax return differently from the way the REMIC reported them on its return, you may have to file Form 8082.

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## Part V

### Summary

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#### Line 41

You will not be charged a penalty for underpayment of estimated tax if:

1. Your gross farming or fishing income for 1996 or 1997 is at least two-thirds of your gross income, and
  2. You file your 1997 tax return and pay the tax due by March 2, 1998.
-

# Instructions for Schedule F, Profit or Loss From Farming

Use Schedule F to report farm income and expenses. File it with Form 1040, 1041, or 1065.

This activity may subject you to state and local taxes and other requirements such as business licenses and fees. Check with your state and local governments for more information.

**Additional Information.** Pub. 225 has samples of filled-in forms and schedules, and lists important dates that apply to farmers.

## General Instructions

### A Change To Note

Effective for sales after 1996, the Taxpayer Relief Act of 1997 expanded the rule that allows farmers on the cash method to defer income from sales of livestock due to a drought to cover other weather-related conditions (such as a flood). For more details, see page F-2.

### Other Schedules and Forms You May Have To File

**Schedule E** to report rental income from pastureland that is based on a flat charge. Report this income in Part I of Schedule E. But report on line 10 of Schedule F pasture income received from taking care of someone else's livestock.

**Schedule SE** to pay self-employment tax on income from any trade or business.

**Form 4562** to claim depreciation on assets placed in service in 1997, to claim amortization that began in 1997, or to report information on vehicles and other listed property.

**Form 4684** to report a casualty or theft gain or loss involving farm business property including livestock held for draft, breeding, sport, or dairy purposes.

See Pub. 225 for more information on how to report various farm losses, such as losses due to death of livestock or damage to crops or other farm property.

**Form 4797** to report sales, exchanges, or involuntary conversions (other than from a casualty or theft) of certain farm property. Also, use this form to report sales of livestock held for draft, breeding, sport, or dairy purposes.

**Form 4835** to report rental income based on farm production or crop shares if you did not materially participate (for self-employment tax purposes) in the management or operation of the farm. This income is not subject to self-employment tax. See Pub. 225.

**Form 8824** to report like-kind exchanges.

### Heavy Vehicle Use Tax

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 motor vehicle use tax. See **Form 2290** to find out if you owe this tax.

### 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. You may also have to file an information return if you sold \$5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other similar basis for resale. For more information, see the **Instructions for Forms 1099, 1098, 5498, and W-2G**.

If you received cash of more than \$10,000 in one or more related transactions in your farming business, you may have to file **Form 8300**. For details, see **Pub. 1544**.

### Estimated Tax

If you had to make estimated tax payments in 1997 and you underpaid your estimated tax, you will not be charged a penalty if **both** of the following apply.

1. Your gross farming or fishing income for 1996 or 1997 is at least two-thirds of your gross income.

2. You file your 1997 tax return and pay the tax due by March 2, 1998.

For more details, see Pub. 225.

## Specific Instructions

### Filers of Forms 1041 and 1065

**Do not** complete the block labeled "Social security number (SSN)." Instead, enter your employer identification number (EIN) on line D.

### Lines A and B

On line A, enter your principal crop or activity for the current year.

On line B, enter one of the 15 principal agricultural activity codes listed in Part IV on page 2 of Schedule F. Select the code that best describes the source of most of your income. **Field crop** includes 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.

### Line C

Under the **cash method**, include all income in the year you actually get it. Generally, deduct expenses when you pay them. If you use the cash method, check the box labeled "Cash." Complete Parts I and II of Schedule F.

Under the **accrual method**, include income in the year you earn it. It does not matter when you get it. Deduct expenses when you incur them. If you use the accrual method, check the box labeled "Accrual."

Complete Parts II, III, and line 11 of Schedule F.

Other rules apply that determine the timing of deductions based on economic performance. See **Pub. 538** for details.

**Farming syndicates** cannot use the cash method of accounting. A farming syndicate may be a partnership, any other noncorporate group, or an S corporation if:

1. The interests in the business have ever been for sale in a way that would require registration with any Federal or state agency, or

2. More than 35% of the loss during any tax year is shared by limited partners or limited entrepreneurs. A **limited partner** is one who can lose only the amount invested or required to be invested in the partnership. A **limited entrepreneur** is a person who does not take any active part in managing the business.

### Line D

You need an employer identification number (EIN) only if you had a Keogh plan or were required to file an employment, excise, estate, trust, partnership, or alcohol, tobacco, and firearms tax return. If you need an EIN, file **Form SS-4**.

If you do not have an EIN, leave line D blank. **Do not** enter your SSN.

### Line E

**Material Participation.** For the definition of material participation for purposes of the passive activity rules, see the instructions for **Schedule C** (Form 1040), line G, on page C-1.

If you meet any of the material participation tests described in the line G instructions for Schedule C, check the "Yes" box.

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 for farming meets the estate tax rules for special valuation of farm property passed from a qualifying decedent, and the surviving spouse actively manages the farm.

Check the "No" box if you did not materially participate. If you checked "No" and you have a loss from this business, see **Limit on Losses** on page F-2. If you have a profit from this business activity but have current year losses from other passive activities or prior year unallowed passive activity losses, see the instructions for **Form 8582**.

**Limit on Losses.** If you checked the "No" box on line E and you have a loss from this business, you may have to use Form 8582 to figure your allowable loss, if any, to enter on Schedule F, line 36. Generally, you can deduct losses from passive activities only to the extent of income from passive activities.

For more details, see **Pub. 925**.

## Part I. Farm Income—Cash Method

In Part I, show income received for items listed on lines 1 through 10. Count both the cash actually or constructively received and the fair market value of goods or other property 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 Weather-Related Conditions

If you sold livestock because of a drought, flood, or other weather-related conditions, you can elect to report the income from the sale in the year after the year of sale if **all** of the following apply:

- Your main business is farming.
- You can show that you sold the livestock only because of weather-related conditions.
- Your area qualified for Federal aid.

### Forms 1099 or CCC-1099-G

If you received Forms 1099 or CCC-1099-G showing amounts paid to you, first determine if the amounts are to be included with farm income. Then, use the following chart to determine where to report the income on Schedule F. Include the Form 1099 or CCC-1099-G amounts with any other income reported on that line.

Information return	Where to report
Form 1099-PATR . . . . .	Line 5a
Form 1099-A . . . . .	Line 7b
Form 1099-MISC (for crop insurance) . . . . .	Line 8a
Forms 1099-G or CCC-1099-G (for disaster payments) . . . . .	Line 8a
Forms 1099-G or CCC-1099-G (for other agricultural program payments) . . . . .	Line 6a

You may also receive **Form 1099-MISC** for other types of income. In this case, report it on whichever line best describes the income. For example, if you received a Form 1099-MISC for custom farming work, include this amount on line 9, "Custom hire (machine work) income."

### Lines 1 and 2

On line 1, show amounts received from sales of livestock and other items bought for resale. On line 2, show the cost or other basis of the livestock and other items you actually sold.

### Line 4

Show amounts received from sales of livestock, produce, grains, and other products you raised.

### Lines 5a and 5b

If you received distributions from a cooperative in 1997, you should receive **Form 1099-PATR**. On line 5a, show your total distributions from cooperatives. This includes patronage dividends, nonpatronage distributions, per-unit retain allocations, and redemption of nonqualified notices and per-unit retain allocations.

Show patronage dividends (distributions) 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 received from a marketing cooperative. If you received per-unit retains in cash, show the amount of cash. If you received qualified per-unit retain certificates, show the stated dollar amount of the certificate.

Do not include as income on line 5b patronage dividends from buying personal or family items, capital assets, or depreciable assets. Enter these amounts on line 5a only. 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 6a and 6b

Enter on line 6a the TOTAL of the following amounts. These are government payments you received, usually reported to you on **Form 1099-G**. You may also receive Form CCC-1099-G from the Department of Agriculture showing the amounts and types of payments made to you.

- Price support payments.
- Market gain from the repayment of a secured Commodity Credit Corporation (CCC) loan for less than the original loan amount.
- Diversion payments.
- Cost-share payments (sight drafts).
- Payments in the form of materials (such as fertilizer or lime) or services (such as grading or building dams).

On line 6b, report only the taxable amount. For example, do not report the market gain shown on Form CCC-1099-G on line 6b if you elected to report CCC loan proceeds as

income in the year received (see lines 7a through 7c below). No gain results from redemption of the commodity because you previously reported the CCC loan proceeds as income. You are treated as repurchasing the commodity for the amount of the loan repayment. However, if you did not report the CCC loan proceeds under the election, you must report the market gain on line 6b.

### Lines 7a Through 7c

**Commodity Credit Corporation Loans.** Generally, you do not report CCC loan proceeds as income. However, if you pledge part or all of your production to secure a CCC loan, you may elect to report the loan proceeds as income in the year you receive them, instead of the year you sell the crop. If you make this election (or made the election in a prior year), report loan proceeds you received in 1997 on line 7a. Attach a statement to your return showing the details of the loan(s).

**Forfeited CCC Loans.** Include the full amount forfeited on line 7b, even if you reported the loan proceeds as income.

If you **did not** elect to report the loan proceeds as income, also include the forfeited amount on line 7c.

If you did elect to report the loan proceeds as income, you generally will not have an entry on line 7c. But if the amount forfeited is different from your basis in the commodity, you may have an entry on line 7c.

For more information on the tax consequences of electing to report CCC loan proceeds as income or forfeiting CCC loans, see **Pub. 225**.

### Lines 8a Through 8d

In general, you must report crop insurance proceeds in the year you receive them. Federal crop disaster payments are treated as crop insurance proceeds. However, if 1997 was the year of damage, you may elect to include certain proceeds in income for 1998. To make this election, check the box on line 8c and attach a statement to your return. See **Pub. 225** for a description of the proceeds for which an election may be made and for what you must include in your statement.

Generally, if you elect to defer any eligible crop insurance proceeds, you must defer all such crop insurance proceeds (including Federal disaster payments).

Enter on line 8a the TOTAL crop insurance proceeds you received in 1997, even if you elect to include them in income for 1998.

Enter on line 8b the taxable amount of the proceeds you received in 1997. Do not include proceeds you elect to include in income for 1998.

Enter on line 8d the amount, if any, of crop insurance proceeds you received in 1996 and elected to include in income for 1997.

### Line 9

Enter on this line the income you received for custom hire (machine work).

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## Line 10

Use this line to report income not shown on lines 1 through 9. For example, include the following income items on line 10:

- Illegal Federal irrigation subsidies. See Pub. 225.
- Bartering income.
- Income from discharge of indebtedness. Generally, if a debt is canceled or forgiven, you must include the canceled amount in income. If a Federal agency, financial institution, or credit union canceled or forgave a debt you owed of \$600 or more, it should send you a **Form 1099-C**, or similar statement, by February 2, 1998, showing the amount of debt canceled in 1997. However, certain solvent farmers may exclude from income discharged qualified farm indebtedness. For information on whether you must include in income any discharge of indebtedness, see Pub. 225.
- State gasoline or fuel tax refund you got in 1997.
- The amount of credit for Federal tax paid on fuels claimed on your 1996 Form 1040.
- The amount of credit for alcohol used as a fuel that was entered on **Form 6478**.
- Any recapture of excess depreciation, including any section 179 expense deduction, if the business use percentage of any listed property decreased to 50% or less in 1997. Use **Form 4797** to figure the recapture. See the instructions for Schedule C (Form 1040), line 13, on page C-3 for the definition of listed property.
- The inclusion amount on leased listed property (other than vehicles) when the business use percentage drops to 50% or less. See **Pub. 946** to figure the amount.
- Any recapture of the deduction for clean-fuel vehicles used in your business and clean-fuel vehicle refueling property. For details on how to figure recapture, see **Pub. 535**.
- The gain or loss on the sale of commodity futures contracts if the contracts were made to protect you from price changes. These are a form of business insurance and are considered hedges. If you had a loss in a closed futures contract, enclose it in parentheses.

**Caution:** For property acquired and hedging positions established, you must clearly identify on your books and records both the hedging transaction and the item(s) or aggregate risk that is being hedged.

Purchase or sales contracts are not true hedges if they offset losses that already occurred. 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 it on **Form 6781**.

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## Part II. Farm Expenses

**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.
- Inventory losses.
- Personal losses.

If you were repaid for any part of an expense, you must subtract the amount you were repaid from the deduction.

**Capitalizing Costs of Property.** If you produced real or tangible personal property or acquired property for resale, 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 allocable to that property. However, these rules generally do not apply to:

1. Expenses of raising animals,
2. Expenses of producing any plant that has a preproductive period of 2 years or less, or
3. Expenses of replanting certain crops if they were lost or damaged by reason of freezing temperatures, disease, drought, pests, or casualty.

**Note:** *Exceptions 1 and 2 above do not apply to tax shelters, farm syndicates, or partnerships required to use the accrual method of accounting under Internal Revenue Code section 447 or 448.*

But you may be able to deduct rather than capitalize the expenses of producing a plant with a preproductive period of more than 2 years. See **Election To Deduct Certain Preproductive Period Expenses** below.

Do not reduce your deductions on lines 12 through 34e by the preproductive period expenses you are required to capitalize. Instead, enter the total amount capitalized in parentheses on line 34f. See **Preproductive Period Expenses** on page F-5 for more details.

**If you revoked an election made before 1989** to deduct preproductive period expenses for animals, you must continue to apply the alternative depreciation rules to property placed in service while your election was in effect. Also, the expenses you previously chose to deduct will have to be recaptured as ordinary income when you dispose of the animals.

**Election To Deduct Certain Preproductive Period Expenses.** If the preproductive period of any plant you produce is more than 2 years, you may choose to currently deduct the expenses rather than capitalize them. But you may not make this election for the costs of planting or growing citrus or almond groves that are incurred before the end of the 4th tax year beginning with the tax year you planted them in their permanent grove. By deducting the preproductive period expenses for which you may make this election, you are treated as having made the election.

**Note:** *In the case of a partnership or S corporation, the election must be made by the partner or shareholder. This election may not be made by tax shelters, farm syndicates, or partners in partnerships required to use the accrual method of accounting under Internal Revenue Code section 447 or 448.*

If you make the election to deduct preproductive expenses for plants, any gain you realize when disposing of the plants is ordinary income up to the amount of the preproductive expenses you deducted. Also, the alternative depreciation rules apply to property placed in service in any tax year your election is in effect. Unless you obtain the consent of the IRS, you must make this election for the first tax year in which you engage in a farming business involving the production of property subject to the capitalization rules. You may not revoke this election without the consent of the IRS.

For more information, see Pub. 225.

**Prepaid Farm Supplies.** Generally, if you use the cash method of accounting and your prepaid farm supplies are more than 50% of your other deductible farm expenses, your deduction for those supplies may be limited. Prepaid farm supplies include expenses for feed, seed, fertilizer, and similar farm supplies not used or consumed during the year. They also include the cost of poultry that would be allowable as a deduction in a later tax year if you were to (a) capitalize the cost of poultry bought for use in your farm business and deduct it ratably over the lesser of 12 months or the useful life of the poultry and (b) deduct the cost of poultry bought for resale in the year you sell or otherwise dispose of it. If the limit applies, you can deduct prepaid farm supplies that do not exceed 50% of your other deductible farm expenses in the year of payment. You can deduct the excess only in the year you use or consume the supplies (other than poultry, which is deductible as explained above). For exceptions and more details on these rules, see Pub. 225.

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## Line 12

You can deduct the actual expenses of running your car or truck, or take the standard mileage rate. You **must** use actual expenses if you did not own the vehicle or if you used more than one vehicle simultaneously in your business (such as in fleet operations).

If you deduct actual expenses, include on line 12 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc. Show depreciation on line 16 and rent or lease payments on line 26a.

If you choose to take the standard mileage rate, you **cannot** deduct depreciation or your actual operating expenses. To take the standard mileage rate, multiply the number of business miles by 31.5 cents a mile. Add to this amount your parking fees and tolls, and enter the total on line 12.

If you claim any car or truck expenses (actual or the standard mileage rate), you must provide the information requested in Part V of **Form 4562**. Be sure to attach Form 4562 to your return.

For more details, get **Pub. 463**.

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## Line 14

Deductible soil and water conservation expenses generally are those that are paid to conserve soil and water or to prevent erosion of land used for farming. These expenses include (but are not limited to) the cost of leveling, grading and terracing, contour furrowing, the construction, control, and protection of diversion channels, drainage ditches, earthen dams, watercourses, outlets and ponds, the eradication of brush, and the planting of windbreaks.

These expenses can be deducted only if they are consistent with a conservation plan approved by the Natural Resources Conservation Service (NRCS) 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 cannot deduct the expenses if they were paid or incurred for land used in farming in a foreign country.

Do not deduct expenses you pay or incur to drain or fill wetlands, to prepare land for center pivot irrigation systems, or to clear land.

The amount you deduct may not exceed 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, the excess may be carried forward and deducted in later tax years. However, the amount deductible for any 1 year may not exceed the 25% gross income limit for that year.

For more details, see Pub. 225.

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## Line 15

Enter amounts paid for custom hire or machine work (the machine operator furnished the equipment). Do not include amounts paid for rental or lease of equipment that you operated yourself. You should report those amounts on line 26a.

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## 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 Internal Revenue Code section 179 to expense a portion of the cost of certain tangible property you bought in 1997 for use in your business.

For more details, including when you must complete and attach Form 4562, see the instructions for Schedule C (Form 1040), line 13, on page C-3.

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## Line 17

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 25. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs.

Do not include on line 17 any contributions you made on your behalf as a self-employed person to an accident and health plan or for group-term life insurance. You may be able to deduct on Form 1040, line 27, part of the amount you paid for health insurance on behalf of yourself, your spouse, and dependents even if you do not itemize your deductions. See page 17 of the Form 1040 instructions for more details.

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## Line 18

Generally, you cannot currently deduct expenses for feed to be consumed by your livestock in a later tax year. See **Prepaid Farm Supplies** on page F-3.

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## Line 20

Do not include the cost of transportation incurred in purchasing livestock held for resale as freight paid. Instead, add these costs to the cost of the livestock, and deduct them when the livestock is sold.

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## Line 22

Deduct on this line premiums paid for farm business insurance. Deduct on line 17 amounts paid for employee accident and health insurance.

Amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability are not deductible.

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## Lines 23a and 23b

**Interest Allocation Rules.** The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted on the correct line of your return and gets the right tax treatment. These rules could affect how much interest you are allowed to deduct on Schedule F.

Generally, you allocate interest expense by tracing how the proceeds of the loan are used. See Pub. 535 for details.

If you paid interest on a debt secured by your main home and any of the proceeds from that debt were used in your farming business, see Pub. 535 to figure the amount that is deductible on Schedule F.

If you have a mortgage on real property used in your farming business (other than your main home), enter on line 23a the interest you paid for 1997 to banks or other financial institutions for which you received a **Form 1098**.

If you did not receive a Form 1098 from the recipient, report your mortgage interest on line 23b.

If you paid more mortgage interest than is shown on Form 1098 or similar statement, see Pub. 535 to find out if you can deduct the additional interest. If you can, enter the amount on line 23a. Attach a statement to your return explaining the difference and write "See attached" in the left margin next to line 23a.

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 mort-

gage and the other person received the Form 1098, report your share of the interest on line 23b. 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 23b, write "See attached."

On line 23b, enter the interest on other loans related to this farm. Do not deduct interest you prepaid in 1997 for later years; include only the part that applies to 1997.

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## Line 24

Enter the amounts you paid for farm labor. Do not include amounts paid to yourself. Reduce your deduction by the current year credits claimed on:

- **Form 5884**, Work Opportunity Credit.
- **Form 8844**, Empowerment Zone Employment Credit.
- **Form 8845**, Indian Employment Credit.

Count the cost of boarding farm labor but not the value of any products they used from the farm. Count only what you paid household help to care for farm laborers.

**Caution:** If you provided taxable fringe benefits to your employees, such as personal use of a car, do not include in farm labor the amounts you depreciated or deducted elsewhere.

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## Line 25

Enter your deduction for contributions to employee pension, profit-sharing, or annuity plans. If the plan included you as a self-employed person, see the instructions for Schedule C (Form 1040), line 19, on page C-3.

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## Lines 26a and 26b

If you rented or leased vehicles, machinery, or equipment, enter on line 26a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an **inclusion amount**. For details, see the instructions for Schedule C (Form 1040), line 20a, on page C-4.

Enter on line 26b amounts paid to rent or lease other property such as pasture or farm land.

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## Line 27

Enter amounts you paid for repairs and maintenance of farm buildings, machinery, and equipment. You can also include what you paid for tools of short life or minimal cost, such as shovels and rakes.

**Do not** deduct repairs or maintenance on your home.

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## Line 31

You may deduct the following taxes on this line:

- Real estate and personal property taxes on farm business assets.
- Social security and Medicare 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 on this line:

- Federal income taxes including your self-employment tax. However, you may deduct one-half of your self-employment tax on Form 1040, line 26.
- Estate and gift taxes.
- Taxes assessed for improvements, such as paving and sewers.
- Taxes on your home or personal use property.
- State and local sales taxes on property purchased for use in your farm business. Instead, treat these taxes as part of the cost of the property.
- Other taxes not related to the farm business.

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## Line 32

Enter amounts you paid for gas, electricity, water, etc., for business use on the farm. Do not include personal utilities.

You cannot deduct the base rate (including taxes) of the first telephone line into your residence, even if you use it for business. See the instructions for Schedule C (Form 1040), line 25, on page C-4.

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## Lines 34a Through 34f

Include all ordinary and necessary farm expenses not deducted elsewhere on Schedule F, such as advertising, office supplies, etc. Do not include fines or penalties paid to a government for violating any law.

**Amortization.** You can amortize qualifying forestation and reforestation costs over an 84-month period. You can also amortize certain business startup costs over a period of at least 60 months. For more details, see Pub. 535. For amortization that begins in 1997, you must complete and attach Form 4562.

**At-Risk Loss Deduction.** Any loss from this activity that was not allowed as a deduction last year because of the at-risk rules is treated as a deduction allocable to this activity in 1997.

**Bad Debts.** See the instructions for Schedule C (Form 1040), line 9, on page C-3.

**Business Use of Your Home.** You may be able to deduct certain expenses for business use of your home, subject to limitations. Use the worksheet in **Pub. 587** to figure your allowable deduction. **Do not** use **Form 8829**.

**Deduction for Clean-Fuel Vehicles and Clean-Fuel Vehicle Refueling Property.** You may deduct part of the cost of qualified clean-fuel vehicle property used in your business and qualified clean-fuel vehicle refueling property. See Pub. 535 for more details.

**Legal and Professional Fees.** You can deduct on this line fees for tax advice related to your farm business and for preparation of the tax forms related to your farm business.

**Travel, Meals, and Entertainment.** Generally, you can deduct expenses for farm business travel and 50% of your business meals and entertainment. But there are exceptions and limitations. See the instructions for Schedule C (Form 1040), lines 24a through 24c, on page C-4.

**Preproductive Period Expenses.** Enter in parentheses on line 34f, preproductive period expenses that are capitalized. If you had preproductive period expenses in 1997

and you decided to capitalize these expenses, you **MUST** enter the total of these expenses in parentheses on line 34f and write "263A" in the space to the left of the total.

If you entered an amount in parentheses on line 34f because you have preproductive period expenses you are capitalizing, subtract the amount on line 34f from the total of lines 12 through 34e. Enter the result on line 35.

For more information, see **Capitalizing Costs of Property** on page F-3 and Pub. 225.

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## Line 36

If you have a loss, the amount of loss you can deduct this year may be limited. Go on to line 37 before entering your loss on line 36. If you answered "No" to Question E on Schedule F, also see the Instructions for Form 8582. Enter the net profit or **deductible** loss here and on Form 1040, line 18, and Schedule SE, line 1. Estates and trusts should enter the net profit or deductible loss here and on Form 1041, line 6. Partnerships should stop here and enter the profit or loss on this line and on Form 1065, line 5.

If you have a net profit on line 36, this amount is earned income and may qualify you for the earned income credit if you meet certain conditions. See the Instructions for Form 1040, lines 56a and 56b, on page 21 for more details.

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## Line 37

**At-Risk Rules.** Generally, if you have **(a)** a loss from a farming activity and **(b)** amounts in the activity for which you are **not at risk**, you will have to complete **Form 6198** to figure your allowable loss.

The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the activity.

Check **box 37b** if you have amounts for which you are not at risk in this activity, such as the following.

- Nonrecourse loans used to finance the activity, to acquire property used in the activity, or to acquire the activity that are not secured by your own property (other than property used in the activity). However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property.

- Cash, property, or borrowed amounts used in the activity (or contributed to the activity, or used to acquire the activity) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).

- Amounts borrowed for use in the activity from a person who has an interest in the activity, other than as a creditor, or who is related under Internal Revenue Code section 465(b)(3) to a person (other than you) having such an interest.

If all amounts are at risk in this business, check **box 37a** and enter your loss on line 36. But if you answered "No" to Question E, you may need to complete Form 8582 to figure your allowable loss to enter on line 36.

See the Instructions for Form 8582 for more details.

If you checked **box 37b**, get Form 6198 to determine the amount of your deductible loss and enter that amount on line 36. But if you answered "No" to Question E, your loss may be further limited. See the Instructions for Form 8582. If your at-risk amount is zero or less, enter zero on line 36. Be sure to attach Form 6198 to your return. If you checked box 37b and you fail to attach Form 6198, the processing of your tax return may be delayed.

Any loss from this activity not allowed for 1997 because of the at-risk rules is treated as a deduction allocable to the activity in 1998.

For more details, see Pub. 925. Also, see the Instructions for Form 6198.

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## 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 include animals and crops in your inventory if you use this method. See Pub. 538 for exceptions, inventory methods, how to change methods of accounting, and for rules that require certain costs to be capitalized or included in inventory.

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## Line 38

Enter the amount earned from the sale of livestock, produce, grains, and other products you raised.

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## Lines 39a Through 41c

See the instructions for lines 5a through 7c on page F-2.

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## Lines 43 and 44

See the instructions for lines 9 and 10 on pages F-2 and F-3.

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# Instructions for Schedule SE, Self-Employment Tax

Use Schedule SE to figure the tax due on net earnings from self-employment. The Social Security Administration uses the information from Schedule SE to figure your benefits under the social security program. This tax applies no matter how old you are and even if you are already getting social security or Medicare benefits.

**Additional Information.** See **Pub. 533** for more details.

## General Instructions

### A Change To Note

For 1997, the maximum amount of self-employment income subject to social security tax is \$65,400.

### Who Must File Schedule SE

You must file Schedule SE if:

1. You were self-employed and your net earnings from self-employment from other than church employee income were \$400 or more, or
2. You had church employee income of \$108.28 or more—see **Employees of Churches and Church Organizations** below.

### Who Must Pay Self-Employment (SE) Tax?

#### Self-Employed Persons

You must pay SE tax if you had net earnings of \$400 or more as a self-employed person. If you are in business for yourself or you are a farmer, you are self-employed.

You must also pay SE tax on your share of certain partnership income and your guaranteed payments. See **Partnership Income or Loss** on page SE-2.

#### Employees of Churches and Church Organizations

If you had church employee income of \$108.28 or more, you must pay SE tax. **Church employee income** is wages you received as an employee (other than as a minister or member of a religious order) from a church or qualified church-controlled organization that has a certificate in effect electing an exemption from employer social security and Medicare taxes.

#### Ministers and Members of Religious Orders

In most cases, you must pay SE tax on salaries and other income for services you performed as a minister, a member of a religious order who has not taken a vow of poverty, or a Christian Science practitioner. But if you filed **Form 4361** and received IRS approval, you will be exempt from paying SE tax on those net earnings.

If you had no other income subject to SE tax, write "Exempt-Form 4361" on line 47 of Form 1040. However, if you had other earnings of \$400 or more subject to SE tax, see line A at the top of Long Schedule SE.

**Note:** If you have ever filed **Form 2031** to elect social security coverage on your earnings as a minister, you cannot revoke that election now.

If you must pay SE tax, include this income on line 2 of either Short or Long Schedule SE. But do not report it on line 5a of Long Schedule SE; it is not considered church employee income. Also, include on line 2:

- The rental value of a home or an allowance for a home furnished to you (including payments for utilities) and
- The value of meals and lodging provided to you, your spouse, and your dependents for your employer's convenience.

However, **do not** include on line 2:

- Retirement benefits you received from a church plan after retirement, or
- The rental value of a home or an allowance for a home furnished to you (including payments for utilities) after retirement.

If you were a duly ordained minister who was an employee of a church and you must pay SE tax, the unreimbursed business expenses that you incurred as a church employee are allowed only as an itemized deduction for income tax purposes. Subtract the allowable amount from your SE earnings when figuring your SE tax.

If you were a U.S. citizen or resident alien serving outside the United States as a minister or member of a religious order and you must pay SE tax, you may not reduce your net earnings by the foreign housing exclusion or deduction.

For more details, see **Pub. 517**.

#### Members of Certain Religious Sects

If you have conscientious objections to social security insurance because of your membership in and belief in the teachings of a religious sect recognized as being in existence at all times since December 31, 1950, and which has provided a reasonable level of living for its dependent mem-

bers, you are exempt from SE tax if you received IRS approval by filing **Form 4029**. In this case, do not file Schedule SE. Instead, write "Exempt-Form 4029" on Form 1040, line 47. See **Pub. 517** for more details.

#### U.S. Citizens Employed by Foreign Governments or International Organizations

You must pay SE tax on income you earned as a U.S. citizen employed by a foreign government (or, in certain cases, by a wholly owned instrumentality of a foreign government or an international organization under the International Organizations Immunities Act) for services performed in the United States, Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), or the Virgin Islands. Report income from this employment on Schedule SE (Section A or B), line 2. If you performed services elsewhere as an employee of a foreign government or an international organization, those earnings are exempt from SE tax.

#### 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, in most cases you must pay SE tax. You may not reduce your foreign earnings from self-employment by your foreign earned income exclusion.

**Exception.** The United States has social security agreements with many countries to eliminate dual taxes under two social security systems. Under these agreements, you must generally pay social security and Medicare taxes to only the country you live in.

The United States now has social security agreements with the following countries: Austria, Belgium, Canada, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. Additional agreements are expected in the future. For more information, contact:

Social Security Administration  
Office of International Policy  
P.O. Box 17741  
Baltimore, MD 21235

## More Than One Business

If you were a farmer and had at least one other business or you had two or more businesses, your net earnings from self-employment are the combined net earnings from all of your businesses. If you had a loss in one business, it reduces the income from another. Figure the combined SE tax on one Schedule SE.

## Joint Returns

Show the name of the spouse with SE income on Schedule SE. If both spouses have SE income, each must file a separate Schedule SE. However, if one spouse qualifies to use Short Schedule SE and the other has to use Long Schedule SE, both can use the **same** form. One spouse should complete the front and the other the back.

Include the total profits or losses from all businesses on Form 1040, as appropriate. Enter the combined SE tax on Form 1040, line 47.

## Community Income

In most cases, if any of the income from a business (including farming) is community income, all of the income from that business is SE earnings of the spouse who carried on the business. The facts in each case will determine which spouse carried on the business. If you and your spouse are partners in a partnership, see **Partnership Income or Loss** below.

If you and your spouse had community income and file separate returns, attach Schedule SE to the return of the spouse with the SE income. Also, attach Schedule(s) C, C-EZ, or F.

**Caution:** *Community income included on Schedule(s) C, C-EZ, or F must be divided for income tax purposes on the basis of the community property laws.*

## Fiscal Year Filers

If your tax year is a fiscal year, use the tax rate and earnings base that apply at the time the fiscal year begins. Do not prorate the tax or earnings base for a fiscal year that overlaps the date of a rate or earnings base change.

## Specific Instructions

Read the chart on page 1 of Schedule SE to see if you can use **Section A**, Short Schedule SE, or if you must use **Section B**, Long Schedule SE. For either section, you need to know what to include as net earnings from self-employment. Read the following instructions to see what to include as net earnings and how to fill in lines 1 and 2 of either Short or Long Schedule SE. Enter all negative amounts in parentheses.

## Net Earnings From Self-Employment

### What Is Included in Net SE Earnings?

In most cases, net earnings include your net profit from a farm or nonfarm business. If you were a partner in a partnership, see the following instructions.

### Partnership Income or Loss

If you were a general or limited partner in a partnership, include on line 1 or line 2, whichever applies, the amount from line 15a of Schedule K-1 (Form 1065). General partners should reduce this amount before entering it on Schedule SE by any section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties. If you reduce the amount you enter on Schedule SE, attach an explanation.

If a partner died and the partnership continued, include in SE income the deceased's distributive share of the partnership's ordinary income or loss through the end of the month in which he or she died. See Internal Revenue Code section 1402(f).

If you were married and both you and your spouse were partners in a partnership, each of you must pay SE tax on your own share of the partnership income. Each of you must file a Schedule SE and report the partnership income or loss on **Schedule E** (Form 1040), Part II, for income tax purposes.

SE income belongs to the person who is the member of the partnership and cannot be treated as SE income by the nonmember spouse even in community property states.

### Share Farming

You are considered self-employed if you produced crops or livestock on someone else's land for a share of the crops or livestock produced (or a share of the proceeds from the sale of them). This applies even if you paid another person (an agent) to do the actual work or management for you. Report your net earnings for income tax purposes on **Schedule F** (Form 1040) and for SE tax purposes on Schedule SE. For more details, see **Pub. 225**.

### Other Income and Losses Included in Net Earnings From Self-Employment

• Rental income from a farm if, as landlord, you materially participated in the production or management of the production of farm products on this land. This income is farm earnings. To determine whether you materially participated in farm management or production, do not consider the activities of any agent who acted for you. The material participation tests are explained in **Pub. 225**.

• Cash or a payment-in-kind from the Department of Agriculture for participating in a land diversion program.

• Payments for the use of rooms or other space when you also provided substantial services. Examples are hotel rooms, boarding houses, tourist camps or homes, parking lots, warehouses, and storage garages.

• Income from the retail sale of newspapers and magazines if you were age 18 or older and kept the profits.

• Amounts received by current or former self-employed insurance agents that are:

1. Paid after retirement but figured as a percentage of commissions received from the paying company before retirement;

2. Renewal commissions; or

3. Deferred commissions paid after retirement for sales made before retirement.

• Income of certain crew members of fishing vessels with crews of normally fewer than 10 people. See **Pub. 595** for details.

• Fees as a state or local government employee if you were paid only on a fee basis and the job was 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.

• Fees and other payments received by you for services as a director of a corporation.

• Recapture amounts under sections 179 and 280F that you included in gross income because the business use of the property dropped to 50% or less. Do not include amounts you recaptured on the disposition of property. See **Form 4797**.

• Fees you received as a professional fiduciary. This may also apply to fees paid to you as a nonprofessional fiduciary if the fees relate to active participation in the operation of the estate's business, or the management of an estate that required extensive management activities over a long period of time.

• Gain or loss from section 1256 contracts or related property by an options or commodities dealer in the normal course of dealing in or trading section 1256 contracts.

### Income and Losses Not Included in Net Earnings From Self-Employment

• Salaries, fees, etc., subject to social security or Medicare 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 earlier under **Other Income and Losses Included in Net Earnings From Self-Employment**) or as an employee or employee representative under the railroad retirement system.



- Fees received for services performed as a notary public. If you have no other income subject to SE tax, write "Exempt-Notary" on Form 1040, line 47. However, if you have other earnings of \$400 or more subject to SE tax, write "Exempt-Notary" and, in parentheses, the amount of your net profit as a notary public from Schedule C or C-EZ on the dotted line to the left of line 3, Schedule SE. Subtract that amount from the total of lines 1 and 2 and enter the result on line 3.

- 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.

- Income from real estate rentals (including rentals paid in crop shares) if you did not receive the income in the course of a trade or business as a real estate dealer. This includes cash and crop shares received from a tenant or sharefarmer. Report this income on Schedule E.

- Dividends on shares of stock and interest on bonds, notes, etc., if you did not receive the income in the course of your trade or business as a dealer in stocks or securities.

- Gain or loss from:

1. The sale or exchange of a capital asset;

2. 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

3. Certain transactions in timber, coal, or domestic iron ore.

- Net operating losses from other years.

## Statutory Employee Income

If you were required to check the box on line 1 of Schedule C or C-EZ because you were a statutory employee, **do not** include the net profit or (loss) from line 31 of that Schedule C (or the net profit from line 3 of Schedule C-EZ) on line 2 of Short or Long Schedule SE. But if you file Long Schedule SE, be sure to include statutory employee social security wages and tips from Form W-2 on line 8a.

## Optional Methods

### How Can the Optional Methods Help You?

**Social Security Coverage.** The optional methods may give you credit toward your social security coverage even though you have a loss or a small amount of income from self-employment.

**Earned Income Credit.** Using the optional methods may qualify you to claim the earned income credit or give you a larger credit if your net SE earnings (determined without using the optional methods) are less than \$1,600. Figure the earned income credit with and without using the

optional methods to see if the optional methods will benefit you.

**Child and Dependent Care Credit.** The optional methods may also help you qualify for this credit or give you a larger credit if your net SE earnings (determined without using the optional methods) are less than \$1,600. Figure this credit with and without using the optional methods to see if the optional methods will benefit you.

**Note:** *Using the optional methods may give you the benefits described above but they may also increase your self-employment tax.*

### Farm Optional Method

You may use this method to figure your net earnings from farm self-employment if your gross farm income was \$2,400 or less **OR** your gross farm income was more than \$2,400 but your net farm profits (defined below) were less than \$1,733. There is no limit on how many years you can use this method.

Under this method, you report on line 15, Part II, two-thirds of your gross farm income, up to \$1,600, as your net earnings. This method can increase or decrease your net SE farm earnings even if the farming business had a loss.

You may change the method after you file your return. That is, you can change from the regular to the optional method or from the optional to the regular method.

For a farm partnership, figure your share of gross income based on the partnership agreement. With guaranteed payments, your share of the partnership's gross income is your guaranteed payments plus your share of the gross income after it is reduced by all guaranteed payments of the partnership. If you are a limited partner, include only guaranteed payments for services you actually rendered to or on behalf of the partnership.

**Net farm profits** is the total of the amounts from Schedule F (Form 1040), line 36, and Schedule K-1 (Form 1065), line 15a, from farm partnerships.

### Nonfarm Optional Method

You may be able to use this method to figure your net earnings from nonfarm self-employment if your nonfarm profits (defined below) were less than \$1,733 and also less than 72.189% of your gross nonfarm income. To use this method, you also must be regularly self-employed. You meet this requirement if your actual net earnings from self-employment were \$400 or more in 2 of the 3 years preceding the year you use the nonfarm method. The net earnings of \$400 or more could be from either farm or nonfarm earnings or both. The net earnings include your distributive share of partnership income or loss subject to SE tax. Use of the nonfarm optional method from nonfarm self-employment is limited to 5 years. The 5 years do not have to be consecutive.

Under this method, you report on line 17, Part II, two-thirds of your gross nonfarm income, up to \$1,600, as your net

earnings. But **you may not report less than your actual net earnings** from nonfarm self-employment.

You may change the method after you file your return. That is, you can change from the regular to the optional method or from the optional to the regular method.

Figure your share of gross income from a nonfarm partnership in the same manner as a farm partnership. See **Farm Optional Method** on this page for details.

**Net nonfarm profits** is the total of the amounts from Schedule C (Form 1040), line 31 (or Schedule C-EZ (Form 1040), line 3), and Schedule K-1 (Form 1065), line 15a, from other than farm partnerships.

### Using Both Optional Methods

If you can use both methods, you may report less than your total actual net earnings from farm and nonfarm self-employment, but you **cannot** report less than your actual net earnings from nonfarm self-employment alone.

If you use both methods to figure net earnings, you **cannot** report more than \$1,600 of net SE earnings.

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## Major Categories of Federal Income and Outlays for Fiscal Year 1996

On or before the first Monday in February of each year, the President is required to submit to the Congress a budget proposal for the fiscal year that begins the following October. The budget sets forth the President's proposed receipts, spending, and deficit or surplus for the Federal Government. The plan includes recommendations for new legislation as well as recommendations to change, eliminate, and add programs. After receiving the President's proposal, the Congress reviews it and makes changes. It first passes a budget resolution setting its own targets for receipts, outlays, and deficit or surplus. Individual spending and revenue bills are then enacted consistent with the goals of the budget resolution.

In fiscal year 1996 (which began on October 1, 1995, and ended on September 30, 1996), Federal income was \$1,453 billion and outlays were \$1,560 billion, leaving a deficit of \$107 billion.

### Federal Income

Income and social insurance taxes are, by far, the largest source of receipts. In 1996, individuals paid \$656 billion in income taxes and corporations paid \$172 billion. Social security and other insurance and retirement contributions were \$509 billion. Excise taxes were \$54 billion. The remaining \$61 billion of receipts were from Federal Reserve deposits, customs duties, estate and gift taxes, and other miscellaneous receipts.

### Federal Outlays

About 93% of total outlays were financed by tax receipts and the remaining 7% were financed by borrowing. Government receipts and borrowing finance a wide range of public services. The following is the breakdown of total outlays for fiscal year 1996\*:

**1. Social security, Medicare, and other retirement:** \$597 billion. These programs were about 37% of total outlays. They provide income support for the retired and disabled and medical care for the elderly.

**2. National defense, veterans, and foreign affairs:** \$316 billion. About 17% of total outlays were to equip, modernize, and pay our armed forces and to fund other national defense activities; about 2% went for veterans benefits and services; and about 1% went for international activities, including military and economic assistance to foreign countries and the maintenance of U.S. embassies abroad.

**3. Net interest:** \$241 billion. About 15% of total outlays were for net interest payments on the public debt.

**4. Physical, human, and community development:** \$127 billion. About 8% of total outlays were for agriculture; natural resources and environmental programs; transportation programs; aid for elementary and secondary education and direct assistance to college students; job training programs; deposit insurance, commerce and housing credit, and community development; and space, energy, and general science programs.

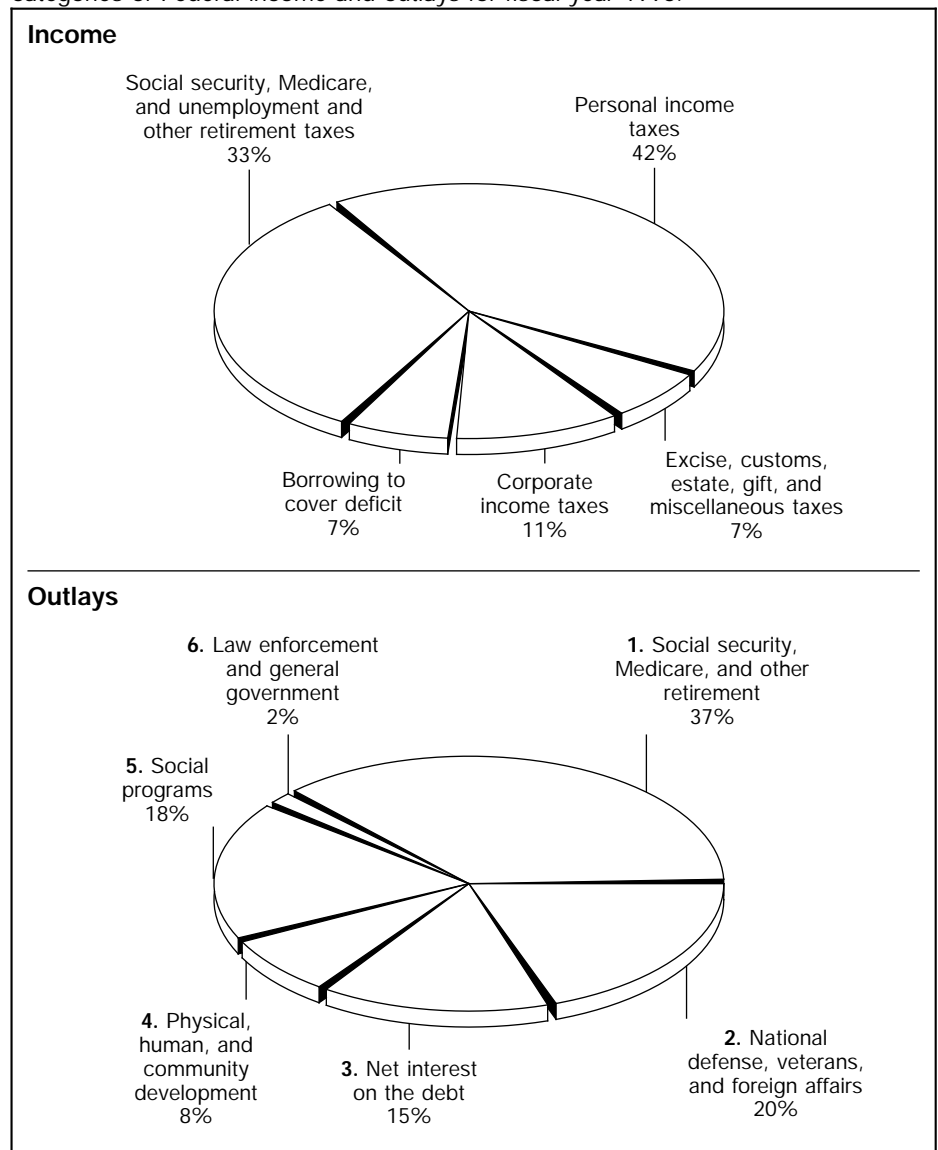
**5. Social programs:** \$287 billion. The Federal Government spent 12% of total outlays to fund Medicaid, food stamps, Aid to Families with Dependent Children, supplemental security income, and

related programs. 6% was spent for health research and public health programs, unemployment compensation, assisted housing, and social services.

**6. Law enforcement and general government:** \$29 billion. About 2% of total outlays were for judicial activities, Federal law enforcement, and prisons; and to provide for the general costs of the Federal Government, including the collection of taxes and legislative activities.

**Note:** Detail may not add to total due to rounding.

**Income and Outlays**—These pie charts show the relative sizes of the major categories of Federal income and outlays for fiscal year 1996.



\* The percentages on this page exclude undistributed offsetting receipts, which were -\$38 billion in fiscal year 1996. In the budget, these receipts are offset against spending in figuring the outlay totals shown above. These receipts are for the U.S. Government's share of its employee retirement programs, rents and royalties on the Outer Continental Shelf, and proceeds from the spectrum auction.

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\* These items may not be included in this package. To reduce printing costs, we have sent you only the forms you may need based on what you filed last year.



## Where Do You File?

If an envelope addressed to "Internal Revenue Service Center" came with your tax booklet, 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.**



*Envelopes without enough postage will be returned to you by the post office. If your envelope contains more than five pages or is oversized, it may need additional postage. Also, include your complete return address.*

**Alabama**—Memphis, TN 37501-0002

**Alaska**—Ogden, UT 84201-0002

**Arizona**—Ogden, UT 84201-0002

**Arkansas**—Memphis, TN 37501-0002

**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*—Ogden, UT 84201-0002

*All other counties*—Fresno, CA 93888-0002

**Colorado**—Ogden, UT 84201-0002

**Connecticut**—Andover, MA 05501-0002

**Delaware**—Philadelphia, PA 19255-0002

**District of Columbia**—Philadelphia, PA 19255-0002

**Florida**—Atlanta, GA 39901-0002

**Georgia**—Atlanta, GA 39901-0002

**Hawaii**—Fresno, CA 93888-0002

**Idaho**—Ogden, UT 84201-0002

**Illinois**—Kansas City, MO 64999-0002

**Indiana**—Cincinnati, OH 45999-0002

**Iowa**—Kansas City, MO 64999-0002

**Kansas**—Austin, TX 73301-0002

**Kentucky**—Cincinnati, OH 45999-0002

**Louisiana**—Memphis, TN 37501-0002

**Maine**—Andover, MA 05501-0002

**Maryland**—Philadelphia, PA 19255-0002

**Massachusetts**—Andover, MA 05501-0002

**Michigan**—Cincinnati, OH 45999-0002

**Minnesota**—Kansas City, MO 64999-0002

**Mississippi**—Memphis, TN 37501-0002

**Missouri**—Kansas City, MO 64999-0002

**Montana**—Ogden, UT 84201-0002

**Nebraska**—Ogden, UT 84201-0002

**Nevada**—Ogden, UT 84201-0002

**New Hampshire**—Andover, MA 05501-0002

**New Jersey**—Holtsville, NY 00501-0002

**New Mexico**—Austin, TX 73301-0002

**New York**—*New York City and counties of Nassau, Rockland, Suffolk, and Westchester*—Holtsville, NY 00501-0002

*All other counties*—Andover, MA 05501-0002

**North Carolina**—Memphis, TN 37501-0002

**North Dakota**—Ogden, UT 84201-0002

**Ohio**—Cincinnati, OH 45999-0002

**Oklahoma**—Austin, TX 73301-0002

**Oregon**—Ogden, UT 84201-0002

**Pennsylvania**—Philadelphia, PA 19255-0002

**Rhode Island**—Andover, MA 05501-0002

**South Carolina**—Atlanta, GA 39901-0002

**South Dakota**—Ogden, UT 84201-0002

**Tennessee**—Memphis, TN 37501-0002

**Texas**—Austin, TX 73301-0002

**Utah**—Ogden, UT 84201-0002

**Vermont**—Andover, MA 05501-0002

**Virginia**—Philadelphia, PA 19255-0002

**Washington**—Ogden, UT 84201-0002

**West Virginia**—Cincinnati, OH 45999-0002

**Wisconsin**—Kansas City, MO 64999-0002

**Wyoming**—Ogden, UT 84201-0002

**American Samoa**—Philadelphia, PA 19255-0002

**Guam: Permanent residents**—Department of Revenue and Taxation Government of Guam P.O. Box 23607 GMF, GU 96921

**Guam: Nonpermanent residents**—Philadelphia, PA 19255-0002

**Puerto Rico (or if excluding income under Internal Revenue Code section 933)**—Philadelphia, PA 19255-0002

**Virgin Islands: Permanent residents**—V.I. Bureau of Internal Revenue 9601 Estate Thomas Charlotte Amalie St. Thomas, VI 00802

**Virgin Islands: Nonpermanent residents**—Philadelphia, PA 19255-0002

**Foreign country: U.S. citizens and those filing Form 2555, Form 2555-EZ, or Form 4563**—Philadelphia, PA 19255-0002

**All APO and FPO addresses**—Philadelphia, PA 19255-0002

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