

**and instructions for
Schedules
A, B, C, D, E, F,
and SE
(Tax Table—pages 34–39)**

From the Commissioner

Here is the information you need to prepare Form 1040 and related schedules. You may, however, be able to file the shorter Form 1040A instead. Or, if you are single and have only wages, salaries, and tips, and not more than \$400 of interest income, you may be able to use the new Form 1040EZ. Check "Which Form to File" on page 3 of the instructions to see which form you should use this year.

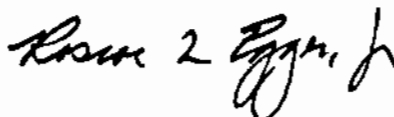
There have been a number of changes because of recent tax legislation. Major changes are explained on page 2 under "Important Tax Law Changes."

Be sure to report your taxable income from all sources. In fairness to the vast majority of taxpayers who report all their income, we make every effort to identify others who underreport.

Quite often we receive inquiries about how people may make voluntary contributions to reduce the public debt. If you should wish to contribute, just enclose in your tax return envelope a **separate** check made payable to "Bureau of the Public Debt." Subject to the limitations on charitable contributions, you can deduct this contribution on next year's tax return. But please let me remind you to keep your contribution to reduce the public debt **separate** from any amount payable on your tax return. Tax remittances should be made payable to "Internal Revenue Service."

After completing your return, check to make sure it is correct, sign it, and mail it early. If you owe tax, please include payment of the full amount with your return. Be sure to keep a copy for your records. If you have suggestions for improving the forms or instructions, please write and let us know.

Thank you for your cooperation.



Roscoe L. Egger, Jr.
Commissioner of Internal Revenue

Important Tax Law Changes

Deduction for a Married Couple When Both Work

If you are married, both of you have earned income, and you file a joint return for 1982, generally you can deduct 5% of the qualified earned income of the lesser-earning spouse. See the instructions for line 29 on page 12 for details and limitations. Attach Schedule W (Form 1040) to claim this deduction.

New Form 1040EZ

If you are single, your income is only from wages, salaries, and tips, and you do not have more than \$400 of interest income, you may be able to use the new **Form 1040EZ**. Get Form 1040EZ to see if you qualify. (You will need the Tax Table in the instructions for either Form 1040 or Form 1040A to figure your tax.)

Tax Rate Reduced

The rate of tax for all brackets has been reduced for 1982. However, no additional computation is needed because the reduction has already been built into the Tax Table and the Tax Rate Schedules for you.

New Rules for Individual Retirement Arrangements (IRAs)

Beginning in 1982, you can put up to \$2,000 (but not more than your earned income) in an IRA even if you are covered by your employer's pension plan. See the instructions for line 25 on page 11.

New Deduction for Charitable Contributions

Generally, in 1982 you can deduct 25% of your charitable contributions up to a maximum of \$25 (\$12.50 if married filing separately) even if you do not itemize your deductions. See the instructions for line 34b on page 13 for more details.

Income Tax Withholding on Pensions and Annuities

Generally, beginning in 1983, income tax will be automatically withheld from your pension or annuity payments as if they were wages. However, you can choose not to have taxes withheld. See **Form W-4P** for details.

Child and Dependent Care Credit Increased

The maximum credit for 1982 can be as much as \$720 for one qualifying individual and \$1,440 for two or more. These amounts decrease as your adjusted gross income goes above \$10,000. Please see **Form 2441** for more information.

New Exclusion of Certain Reinvested Dividends from Public Utility Companies

Generally, you can now exclude up to \$750 (\$1,500 on a joint return) of the dividends you received under the qualified reinvestment plans of public utilities. For more details, see the instructions on page 21.

Income Tax Withholding on Interest and Dividends

Generally, interest and dividends paid after June 30, 1983, will be subject to income tax withholding of 10%. However, certain taxpayers can file a certificate to be exempt from this withholding. See **Form W-6** for details on who qualifies for exemption.

Important Reminders

Voluntary Contributions to Reduce the Public Debt

You can make a voluntary contribution to reduce the public debt. If you wish to do so, enclose a **separate** check with your income tax return and make it payable to "Bureau of the Public Debt". Please do not add it to any tax you may owe. If you owe tax, include a **separate** check for that amount payable to "Internal Revenue Service".

Estimated Tax Payments—Retirees and Others with Income Not Subject to Withholding

If you are retired or have income not subject to withholding (such as capital gains), you may have to make estimated tax payments. If you do not pay enough estimated tax or have enough tax withheld, you may be charged a penalty. For more details, see **Publication 505**, Tax Withholding and Estimated Tax.

Do You Want More or Less Income Tax Withheld in 1983?

If the refund you receive is large, you may want to decrease your withholding for 1983. If you are a working married couple, or had two or more jobs, or had income not subject to withholding, you may need to have more tax withheld to avoid owing IRS a large amount. See **Income Tax Withholding for 1983** on page 17 for more details.

Exclusion for Qualified Interest from All-Savers Certificates

You are entitled to a lifetime exclusion of up to \$1,000 (\$2,000 if married filing a joint return) of qualifying interest from All-Savers Certificates. Claim this exclusion on Schedule B (Form 1040). Please see the instructions on page 21 for more details.

Could You Pay Less By Income Averaging?

If there has been a large increase in your income this year, you may be able to pay less tax by using the income averaging method to figure your tax. However, generally you must have provided at least one-half of your own support each year from 1978–1981. Please get Schedule G (Form 1040) to see if you qualify.

Divorced Persons—Property Settlement

If you transfer assets to your spouse as part of a property settlement because of divorce, you may have a taxable gain. If you transfer business or investment property, you may have a taxable gain or a deductible loss. Please get **Publication 504**, Tax Information for Divorced or Separated Individuals, for details.

Form 1040 General Instructions

Who Must File

Your income and your filing status generally determine whether or not you must file a tax return. See page 8 of these instructions to find out which income you should include.

You must file a return for 1982, even if you owe no tax: **And your income was at least:**

If you were single (this also means legally separated, divorced, or married with a dependent child and living apart from your spouse for all of 1982) and:	
Under 65.....	\$3,300
65 or over.....	4,300

If you were married filing a joint return and were living with your spouse at the end of 1982 (or on the date your spouse died), and:	
Both were under 65.....	5,400
One was 65 or over.....	6,400
Both were 65 or over.....	7,400

If you were married filing a separate return or married but were not living with your spouse at the end of 1982.....	1,000
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If you could be claimed as a dependent on your parents' return, and had taxable dividends, interest, or other unearned income of \$1,000 or more.....	1,000
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If you were a qualifying widow(er) with a dependent child and:	
Under 65.....	4,400
65 or over.....	5,400

If you could exclude income from sources within U.S. possessions....	1,000
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If you were self-employed and your net earnings from this work were at least \$400

If you received any advance earned income credit (EIC) payments from your employer(s) during 1982

- Even if your income was less than the amounts shown above, you must file a return if you owe any taxes, such as:
- FICA (Social Security) on tips you did not report to your employer.
 - Minimum Tax.
 - Tax on an IRA (Individual Retirement Arrangement).
 - Tax from recapture of investment credit.

These rules apply to all U.S. citizens and resident aliens, including those under 21 years of age. They also apply to those nonresident aliens and resident

aliens who are married to citizens or residents of the United States at the end of 1982 and who file a joint return as discussed on page 6, under *Special Rule for Aliens*.

Note: Different rules apply if you were a nonresident alien at any time during 1982 (unless you file a joint return as mentioned above). You may have to file Form 1040NR, U.S. Nonresident Alien Income Tax Return. Also get Publication 519, U.S. Tax Guide for Aliens.

Who Should File

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

Which Form to File You MAY Be Able to Use—

Form 1040EZ if:

- You were single and claim only your personal exemption,
- You had only wages, salaries, and tips, and not more than \$400 of interest income, and
- Your taxable income is less than \$50,000.

Form 1040A if:

- You had only wages, salaries, tips, unemployment compensation, interest, or dividends.
- AND
- Your taxable income is less than \$50,000.

Since Forms 1040A and 1040EZ are easier to complete than Form 1040, you should use one of them unless Form 1040 lets you pay less tax.

However, even if you meet the above tests, you may still have to file Form 1040.

You MUST Use Form 1040 if:

- You itemize deductions.
- Your spouse files a separate return and itemizes deductions. Exception: You can still use Form 1040A if you have a dependent child and can meet the tests on page 6 under *Married Persons who Live Apart* (and *Abandoned Spouses*).
- You can be claimed as a dependent on your parents' return AND had interest, dividends, or other unearned income of \$1,000 or more.
- You are a qualifying widow(er) with a dependent child.
- You were a nonresident alien during any part of 1982 and do not file a joint return (or Form 1040NR).
- You were married to a nonresident alien at the end of 1982 who had U.S. source income and you do not file a joint return. Exception: You can still use Form 1040A if you meet the tests on page 6 under *Married Persons Who Live Apart* (and *Abandoned Spouses*).
- You receive any non-taxable dividends, or you elect to exclude dividends received

under a qualified public utility dividend reinvestment plan.

- You take any of the Adjustments to Income shown on Form 1040, lines 23–28, 30, and 31.

- You file any of these forms:

Form 1040–ES, Declaration of Estimated Tax for Individuals, for 1982 (or if you want to apply any part of your 1982 overpayment to estimated tax for 1983).

Schedule G, Income Averaging.

Form 2210, Underpayment of Estimated Tax by Individuals.

Form 2555, Foreign Earned Income.

Form 4563, Exclusion of Income from Sources in United States Possessions.

- You owe any of the taxes on Form 1040, line 39 or lines 51 through 57.
- You claim any of the credits on Form 1040, lines 41–43 and 45–48.
- You claim any of the payments on Form 1040, lines 63, 65, 66, or 67.
- You are required to fill in Part III of Schedule B for Foreign Accounts and Foreign Trusts (see page 21 of instructions).

When to File

You should file as soon as you can after January 1, but not later than April 15, 1983. If you file late, you may have to pay penalties and interest. Please see the instructions for *Penalties and Interest* on page 17.

If you know that you cannot meet the April 15 deadline, you should ask for an extension on Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return.

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

IRS Will Figure Your Tax and Some of Your Credits

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

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

- All of your income for 1982 was from one or more of these:
 - a. Salaries, Wages, and Tips.
 - b. Interest.
 - c. Dividends.
 - d. Pensions or Annuities.
- You do not itemize deductions.
- You do not file Schedule G, Income Averaging.
- You do not file Form 2555, Foreign Earned Income.
- Your adjusted gross income (line 32) is not more than \$50,000.

● You (and your spouse if you are filing a joint return) sign and date your return and mail it by April 15, 1983.

● You do not want any of your refund applied to next year's tax.

● You give us enough information so that we can figure the tax. Please read the following instructions:

a. Fill in the parts of your return through line 37 that apply to you. The Line-By-Line Instructions which start on page 5 explain how to fill in your return.

b. If you are filing a joint return, use the space under the words "Adjustments to Income" on the front of your return to show your taxable income and your spouse's taxable income separately.

c. Read lines 41 through 67. Fill in the lines that apply to you, but do not fill in the Total lines. See the instruction below if you want us to figure your Credit for the Elderly or Earned Income Credit.

d. Fill in any forms or schedules asked for on the lines you completed, and attach them to the return when you file it.

We will figure some of your credits too

Fill in your return through line 37 as explained above. Follow the instructions below and sign, date, and mail it before the due date. We will then figure these credits if you qualify:

Credit for the Elderly. Follow the instructions below. Be sure to attach the schedule to your return. Write "CFE" on Form 1040, line 41.

Schedule R.—Check the box for your filing status and age, and fill in line 2(a).

Schedule RP.—Enter the name of the public retirement system. Also check the box for your filing status and age, and fill in lines 2 and 5.

Earned Income Credit. On line 62 of your return write "EIC."

Other Information

Death of Taxpayer

Did the taxpayer die before filing a return for 1982?—If so, the taxpayer's spouse or personal representative must file and sign a return for the person who died if the deceased was required to file a return. A personal representative can be an executor, administrator, or anyone who is in charge of the taxpayer's property.

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

If your spouse died in 1982 and you did not remarry in 1982, you can file a joint return. You can also file a joint return if your spouse died in 1983 before filing a 1982 return.

A joint return should show your spouse's 1982 income before death and your income for all of 1982. Write "deceased" and show the date of death in the name and address space of Form 1040. Also write "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign.

If you are claiming a refund as a surviving spouse filing a joint return with the decedent and you follow the above instructions, no other form is needed to have the refund issued to you. However,

all other filers requesting a refund due a decedent must file Form 1310, Statement of Person Claiming Refund Due a Deceased Taxpayer, to claim the refund.

If you want more details, please get Publication 559, Tax Information for Survivors, Executors, and Administrators.

U.S. Citizens Living Abroad

Generally, foreign source income must be reported on your return. Please get Publication 54, Tax Guide for U.S. Citizens Abroad, for more information.

Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE)

Free help is available in most communities to lower income, elderly, handicapped, and non-English speaking individuals in preparing Form 1040EZ, Form 1040A, and the basic Form 1040. Call the toll-free telephone number for your area for the location of the volunteer assistance site near you.

Unresolved Tax Problems

IRS has a Problem Resolution Program for taxpayers who have been unable to resolve their problems with IRS. If you have a tax problem you have been unable to resolve through normal channels, write to your local IRS District Director or call your local IRS office and ask for Problem Resolution assistance.

The Problem Resolution Office will take responsibility for your problem and insure that it receives proper attention. Although this office cannot change the tax law or technical decisions, it can frequently clear up misunderstandings that resulted from previous contacts.

Where to File

Please use the addressed envelope that came with your return. If you do not have an addressed envelope, 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.

Alabama—Atlanta, GA 31101
Alaska—Ogden, UT 84201
Arizona—Ogden, UT 84201
Arkansas—Austin, TX 73301
California—Fresno, CA 93888
Colorado—Ogden, UT 84201
Connecticut—Andover, MA 05501
Delaware—Philadelphia, PA 19255
District of Columbia—
Philadelphia, PA 19255
Florida—Atlanta, GA 31101
Georgia—Atlanta, GA 31101
Hawaii—Fresno, CA 93888
Idaho—Ogden, UT 84201
Illinois—Kansas City, MO 64999

Indiana—Memphis, TN 37501
Iowa—Kansas City, MO 64999
Kansas—Austin, TX 73301
Kentucky—Memphis, TN 37501
Louisiana—Austin, TX 73301
Maine—Andover, MA 05501
Maryland—Philadelphia, PA 19255
Massachusetts—Andover, MA 05501
Michigan—Cincinnati, OH 45999
Minnesota—Ogden, UT 84201
Mississippi—Atlanta, GA 31101
Missouri—Kansas City, MO 64999
Montana—Ogden, UT 84201
Nebraska—Ogden, UT 84201
Nevada—Ogden, UT 84201
New Hampshire—Andover, MA 05501
New Jersey—Holtsville, NY 00501
New Mexico—Austin, TX 73301
New York—New York City and
Counties of Nassau, Rockland,
Suffolk and Westchester—
Holtsville, NY 00501
All Other Counties—
Andover, MA 05501

North Carolina—Memphis, TN 37501
North Dakota—Ogden, UT 84201
Ohio—Cincinnati, OH 45999
Oklahoma—Austin, TX 73301
Oregon—Ogden, UT 84201
Pennsylvania—Philadelphia, PA 19255
Rhode Island—Andover, MA 05501
South Carolina—Atlanta, GA 31101
South Dakota—Ogden, UT 84201
Tennessee—Memphis, TN 37501
Texas—Austin, TX 73301
Utah—Ogden, UT 84201
Vermont—Andover, MA 05501
Virginia—Memphis, TN 37501
Washington—Ogden, UT 84201
West Virginia—Memphis, TN 37501
Wisconsin—Kansas City, MO 64999
Wyoming—Ogden, UT 84201
American Samoa—Philadelphia, PA 19255

Guam—Commissioner of Revenue and Taxation, Agana, GU 96910
Puerto Rico (or if excluding income under section 933)—
Philadelphia, PA 19255
Virgin Islands: Non-permanent residents—Philadelphia, PA 19255
Virgin Islands: Permanent residents—Department of Finance, Tax Division, Charlotte Amalie, St. Thomas, VI 00801
A.P.O. or F.P.O. address of:
Miami—Atlanta, GA 31101
New York—Holtsville, NY 00501
San Francisco—Fresno, CA 93888
Seattle—Ogden, UT 84201
Foreign country: U.S. citizens and those excluding income under section 911 or 931, or claiming the housing deduction under section 911—Philadelphia, PA 19255

Steps for Preparing Your Return

We have set up this year's instructions using 9 steps. You should complete the first 4 steps that follow BEFORE you begin to fill out your return.

Then, you may find it helpful to follow the Line-By-Line Instructions. They begin on this page and end on page 16.

Finally, steps 6 through 9 begin on page 16. They are steps you should take after your Form 1040 and other schedules and forms you need are filled in.

If you follow these steps and read the Line-By-Line Instructions, we feel you can fill in your return quickly and accurately. You may also find some of the publications listed in the instructions helpful if you need more details.

Step 1

Get all of your income records together.

These include any Forms W-2, W-2G, W-2P, 1087, and 1099 that you may have. If you don't get a Form W-2 by January 31, or if the one you get isn't correct, please contact your employer as soon as possible. Only your employer can give you a Form W-2, or correct it. If you cannot get a Form W-2 by February 15, please contact an IRS office.

If you have someone prepare your return for you, make sure that person has all your income records and expense records so he or she can fill in your return correctly. Remember, if someone else prepares your return incorrectly—you are still responsible.

Step 2

If you plan to take tax credits or itemize deductions, get all the information and expense records you will need.

Pages 13 through 20 of these instructions tell you what credits and deductions you can take. Some of the records you may need are:

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

Step 3

Get any forms, schedules, or publications you need.

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

If you think you will need any other forms, get them before you start to fill in your return. Your local bank, post office, or public library will have some of them. Or, you can use the order blank on the next to the last page of this instruction booklet. We will send you the forms, schedules, instructions, and publications you ask for.

Step 4

Use the mailing label from the forms booklet we sent you and make sure it is correct.

If it isn't, mark through it and correct it on the label. Show your apartment number if you have one. Use of the label helps us identify your account, saves processing time, and speeds refunds.

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

Do not attach your label to your return until you finish filling it in and check all entries.

If you don't have a social security number, please get Form SS-5 from a Social Security Administration (SSA) office. File it with your local SSA office early enough to get your number before April 15. If you do not get the number by then, file your return without it and write "Applied for" in the block for your social security number.

Step 5

Fill in your return.

Line-By-Line instructions for filling in Form 1040 begin below and end on page 16. Please follow them.

Step 6 picks up on page 16.

Line-By-Line Instructions—Form 1040

Name, Address, and Social Security Number Blocks

Please use the mailing label from the forms booklet we sent you. If you did not receive a booklet with a label, print or type your name and address. If you are married, give social security numbers for both you and your spouse whether you file joint or separate returns.

If your spouse is a nonresident alien, has no income, and does not have a social security number, please write "NRA" in the block for your spouse's social security number.

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

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

Remember to show your occupations in the spaces in the upper right corner just below the social security number blocks.

Presidential Election Campaign Fund

This fund was established by Congress to support public financing of Presidential election campaigns.

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

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

Do not claim this amount as a credit for political contributions on line 44.

Filing Status

Boxes 1 through 5

Were You Single or Married?

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

If you were married on December 31, consider yourself married for the whole year. If you meet the tests for *Married Persons Who Live Apart (and Abandoned Spouses)*, on page 6, you may consider yourself single for the whole year.

If your spouse died during 1982, consider yourself married to that spouse for the whole year, unless you remarried before the end of 1982.

Married Persons

Joint or Separate Returns?

Joint Return. In most cases, married couples will pay less tax if they file a joint return. You must report all income, exemptions, deductions, and credits for you and your spouse. Both of you must sign the return, even if only one of you had income.

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

If your spouse died in 1982, or in 1983 before filing a return for 1982, write in the signature area "Filing as surviving spouse." Also write "deceased" after the name of the decedent and show the date of death in the name and address space.

Tax Savings.—If you decide not to file a joint return and plan to file a separate return, see if you can lower your tax by meeting the tests described below under *Married Persons Who Live Apart (and Abandoned Spouses)*. If you can, you should check Box 1 for Single or, if you qualify, Box 4 for Head of household.

Special Rule for Aliens.—If at the end of 1982, you were a nonresident alien or dual-status alien married to a citizen or resident of the United States, you may be able to file a joint return with your spouse. If you do file a joint return, you and your spouse must agree to be taxed on your combined worldwide income.

For more details, please get **Publication 519, U.S. Tax Guide for Aliens.**

Separate Returns. You can file separate returns if both you and your spouse had income, or if only one of you had income. If you both file, you and your spouse must figure your tax the same way. This means if one itemizes deductions, the other must itemize. You each report only your own income, exemptions, deductions, and credits, and you are responsible only for the tax due on your own return.

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

If your spouse does not file, check the boxes on line 6b that apply. If you can claim the exemptions for your spouse. Please see **For Your Spouse** on page 7.

Community Property States.—Community property States are: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, and Washington.

If you and your spouse live in a community property State, you must follow State law to determine what is community income and what is separate income. However, different rules could apply if:

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

Please get **Publication 555, Community Property and the Federal Income Tax**, for more details.

Married Persons Who Live Apart (and Abandoned Spouses).—Some married persons who do not live with their husband or wife may file as Single or as Head of household and use tax rates that are lower than those for married persons filing separate returns. This means that if your spouse itemizes deductions, you do not have to. Both you and your spouse can file this way if you both meet the tests.

You should check Box 1 for Single if you meet ALL of the following tests:

- a. You file a separate return,
- b. You paid more than half the cost to keep up your home in 1982,
- c. Your spouse did not live with you at any time during 1982, and

d. For over 6 months of 1982, your home was the principal residence of your child or stepchild whom you can claim as a dependent.

You should check Box 4 for Head of household if your home in test d, above, was the dependent child's principal residence for ALL of 1982. The tax rates for Head of household are even lower than the rates for Single. You may also be able to claim the earned income credit.

Were You a Head of Household?

There are special tax rates for a person who can meet the tests for Head of household. These rates are lower than the rates for Single or Married filing a separate return.

You may use this filing status **ONLY IF** on December 31, 1982, you were unmarried (including certain married persons who live apart) or legally separated and meet test a or b below:

a. You paid more than half the cost of keeping up a home which was the principal residence of your father or mother whom you can claim as a dependent. (You must be able to claim this parent as your dependent without a Multiple Support Declaration, but you did not have to live with that parent.) OR

b. You paid more than half the cost of keeping up the home in which you lived and in which one of the following also lived all year (except for temporary absences for vacation or school):

1. Your unmarried child, grandchild, foster child, or stepchild. (This person did not have to be your dependent.)

Note: If you are filing as Head of household because of an unmarried child, grandchild, foster child, or stepchild, who is not your dependent, enter that person's name in the space provided on line 4. Enter only one name. If any other person qualifies you for Head of household, no entry is needed.

2. Your married child, grandchild, foster child, or stepchild. (You must be able to claim this person as your dependent without a Multiple Support Declaration.)

3. Any other person listed below whom you can claim as a dependent. However, this person does not qualify you if he or she is your dependent under a Multiple Support Declaration. Please see the rules on page 7 for Dependent Supported by Two or More Taxpayers.

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

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

Were You a Qualifying Widow or Widower With a Dependent Child?

If so, you may be able to use joint return tax rates for 1982.

If your spouse died during 1981 or 1980 and you did not remarry before the end of 1982, file a return for 1982 showing only your own income, exemptions, deductions, and credits. However, you can figure your tax at joint return rates if you meet all 3 of the following tests:

• You could have filed a joint return with your spouse for the year your spouse died. (It does not matter whether you actually filed a joint return.)

• Your dependent child, stepchild, or foster child lived with you (except for temporary absences for vacation or school).

• You paid over half the cost of keeping up the home for this child for the whole year.

Check Box 5, Qualifying widow(er) with dependent child, and show the year your spouse died in the space provided. Do not claim an exemption for your spouse. (You can claim the exemption only for the year your spouse died.)

If your spouse died in 1982 and you did not remarry, consider yourself married for the whole year. If your spouse died before 1980 and you did not remarry, you may check Box 4 if you met the tests under **Were You a Head of Household?** Otherwise you must file as Single.

Exemptions Line 6a Boxes For Yourself

You can always take one exemption for yourself. Take two exemptions if you were blind, or 65 or over. Take three exemptions if you were blind and 65 or over. Be sure to check all the boxes on line 6a for the exemptions you can take for yourself.

You can take the extra exemptions for age 65 or over and blindness only for yourself and your spouse. You cannot take them for dependents.

Age and blindness are determined as of December 31. However, if your 65th birthday was on January 1, 1983, you can take the extra exemption for age for 1982.

Proof of Blindness

If you are completely blind, attach a statement to this effect.

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

- a. You cannot see better than 20/200 in the better eye with glasses, or
- b. Your field of vision is not more than 20 degrees.

If this eye condition will never improve beyond the standards in a or b, you may submit a certified opinion to this effect from an examining eye physician. You must attach this certification to your

return only once. In later years you can just include a statement referring to it.

Line 6b Boxes For Your Spouse

You can take exemptions for your spouse if you file a joint return. If you file a separate return you can take your spouse's exemptions only if your spouse is not filing a return, had no income, and was not the dependent of someone else.

Your spouse's exemptions are like your own. Take one exemption if your spouse was neither blind nor 65 or over. Take two exemptions if he or she was blind or 65 or over. Take three exemptions if blind and 65 or over. Be sure to check all the boxes on line 6b for the exemptions you can take for your spouse.

If at the end of 1982, you were divorced or legally separated, you cannot take an exemption for your former spouse. If you were separated by a divorce that is not final (interlocutory decree), you may take an exemption for your spouse if you file a joint return.

If your spouse died during 1982 and you did not remarry before the end of 1982, check the boxes for the exemptions you could have taken for your spouse on the date of death.

Nonresident Alien Spouse. If you do not file a joint return, you may claim your spouse's exemptions only if your spouse had no income from United States sources and is not the dependent of another taxpayer. Use the boxes on line 6b to claim exemptions for a nonresident alien spouse. When claiming your spouse's exemption, please write "NRA" above the word Spouse on line 6b.

Lines 6c and 6d

Children and Other Dependents

Please enter on line 6c the first names of your dependent children who lived with you. Fill in the total number in the box to the right of the arrow.

Please enter on line 6d the full names and other information for your other dependents including your dependent children who did not live with you. Fill in the total number in the box to the right of the arrow.

Each person you claim as a dependent has to meet ALL 5 of these tests:

- income;
- support;
- married dependent;
- citizenship or residence; and
- relationship.

These tests are explained below.

a. Income

The dependent received less than \$1,000 gross income. (This test does not have to be met for your child who was under 19 at the end of the year, or a full-time student at least 5 months of the year. Please see instructions for **Student Dependent** on this page.)

Note: Gross income does not include nontaxable benefits such as social security or welfare benefits.

b. Support

The dependent received over half of his or her support from you, or is treated as

receiving over half of his or her support from you, under the rules for **Children of Divorced or Separated Parents, or Dependent Supported by Two or More Taxpayers**, on this page. If you file a joint return, the support can be from you or your spouse.

In figuring total support, you must include money the dependent used for his or her own support, even if this money was not taxable (for example, social security benefits, gifts, savings, welfare benefits, etc.). If your child was a student, do not include amounts he or she received as scholarships.

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

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

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

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

c. Married Dependent

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

d. Citizenship or Residence

The dependent was a citizen or resident of the United States, a resident of Canada or Mexico, or an alien child adopted by and living with a U.S. citizen in a foreign country.

e. Relationship

The dependent met test 1. or 2. below.

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

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

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

The word **child** includes:

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

- A foster child (any child who lived in your home as a member of your family for the whole year).

Student Dependent. Even if your child had income of \$1,000 or more, you can claim the child as a dependent if he or she can meet tests **b, c, and d** above:
AND

- was enrolled as a full-time student at a school during any 5 months of 1982, or
- took a full-time, on-farm training course during any 5 months of 1982. (The course had to be given by a school or a State, county, or local government agency.)

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

The word **school** includes:

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

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

Children of Divorced or Separated Parents.

If a child's parents together paid more than half of the child's support, the parent who has custody for most of the year can generally take the exemption for that child. However, the parent who does **NOT** have custody (or who has the child for the shorter time), may take the exemption if **a** or **b** below, applies.

a. That parent gave at least \$600 toward the child's support in 1982, and the decree of divorce or separate maintenance (or a written agreement between the parents) states he or she can take the exemption, OR

b. That parent gave \$1,200 or more for each child's support in 1982, and the parent who had custody cannot prove that he or she gave more than the other parent.

Note: To figure the amount of support, a parent who has remarried and has custody may count the support provided by the new spouse.

Dependent Supported by Two or More Taxpayers. Sometimes two or more taxpayers together pay more than half of another person's support, but no one alone pays over half of the support. One of the taxpayers may claim the person as a dependent only if the tests for income, married dependent, citizenship or residence, and relationship discussed earlier (tests **a, c, d, and e**) are met.

In addition, the taxpayer who claims the dependent must:

- have paid more than 10% of the dependent's support; and
- attach to his or her tax return a signed **Form 2120, Multiple Support Declaration**, from every other person who paid more than 10% of the support. This form states that the person who signs it will not claim an exemption in 1982 for the person he or she helped to support.

Birth or Death of Dependent. You can take an exemption for a dependent who was born or who died during 1982 if he or

she met the tests for a dependent while alive. This means that a baby who lived only a few minutes can be claimed as a dependent.

For more information, please get **Publication 501, Exemptions.**

Line 6e

Add the numbers you entered in the boxes for lines 6a, b, c, and d. Enter the total in the box on line 6e.

Income

Examples of Income You Do Not Report

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

Federal social security benefits.

Welfare benefits.

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

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

Child support.

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

Dividends on veterans' life insurance.

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

Interest on certain State and municipal bonds.

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

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

Examples of Income You Must Report

The following kinds of income should be reported on Form 1040, or related forms and schedules. You may need some of the forms and schedules listed below.

Wages, including salaries, bonuses, commissions, fees, and tips.

Dividends (Schedule B).

Interest (Schedule B) on:

tax refunds;

bank deposits, bonds, notes;

All-Savers Certificates;

U.S. Savings Bonds;

mortgages on which you receive payments;

certain arbitrage bonds issued by State and local governments; and accounts with savings and loan associations, mutual savings banks, credit unions, etc.

Unemployment compensation (insurance) (see page 10).

Distributions from an Individual Retirement Arrangement (IRA) or a Simplified Employee Pension (SEP).

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

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

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

Alimony, separate maintenance or support payments received from and deductible by your spouse or former spouse.

Refunds of State and local taxes if you deducted the taxes in an earlier year and got a tax benefit.

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

Profits from businesses and professions (Schedule C).

Your share of profits from partnerships and small business corporations (Schedule E).

Profits from farming (Schedule F).

Pensions, annuities, and endowments.

Lump-sum distributions (Form 4972 or Form 5544).

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

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

Rents and royalties (Schedule E).

Your share of estate or trust income (Schedule E), including accumulation distributions from trusts (Form 4970).

Supplemental annuities under the Railroad Retirement Act (but not regular Railroad Retirement Act benefits).

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

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

Director's fees.

Fees received for jury duty and precinct election board duty.

Fees received as an executor or administrator of an estate.

Embezzled or other illegal income.

Rounding Off to Whole Dollars

You may round off cents to the nearest whole dollar on your return and schedules. But, if you do round off, do so for all amounts. You can drop amounts under 50 cents. Increase amounts from 50 to 99 cents to the next dollar. For example: \$1.39 becomes \$1 and \$2.69 becomes \$3.

Line 7

Wages, Salaries, Tips, Etc.

Show the total of all wages, salaries, fees, commissions, tips, bonuses, supplemental unemployment benefits, and other amounts you were paid before taxes, insurance, etc., were taken out.

Include in this total:

• The amount shown on Form W-2 in the box **Wages, tips, other compensation**. Report all wages you received, even if you do not have a Form W-2.

• Tips you did not report to your employer. (Show any social security tax due on these tips on line 55—see the instructions on page 14.)

• Certain disability pensions if you are under age 65.

• Payments by insurance companies, etc., not included on Form W-2. If you receive sick-pay or a disability payment from anyone other than your employer, and it is not included in the wages shown on Form W-2, include it on line 7. Attach a statement showing the name and address of the payer and amount of sick-pay or disability income.

(See Form W-4P for information on withholding of Federal income tax from your pension.)

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

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

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

If you want more information on reporting income received in the form of goods, property, meals, stock options, educational assistance provided by your employer under a qualified written plan, etc., please get **Publication 525, Taxable and Nontaxable Income.**

Line 8

Interest Income

Enter your total interest income. If the total is more than \$400 or you have any interest from All-Savers Certificates, first fill in Schedule B. (The instructions for Schedule B begin on page 20.)

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

If you were charged a penalty for early withdrawal of your savings, see the instructions for line 27 on page 11.

Examples of Interest Income You MUST Report

Report interest from:

• Accounts (including certificates of deposit) with banks, credit unions, and savings and loan associations.

• Building and loan accounts.

• Notes, loans, and mortgages.

• Tax refunds (report only the interest on them as interest income).

• Bonds and debentures. Also arbitrage bonds issued by State and local governments after October 9, 1969. (Do not report interest on other State and local bonds and securities.)

• The discount for the part of the year you held corporate bonds or other notes first issued at a discount after May 27, 1969.

• U.S. Treasury bills.

● **U.S. Savings Bonds.** The interest is the yearly increase in the value of the bond. Interest on Series E or EE bonds can be reported using method a or b below:

- Report the total interest when you cash the bonds, or when they reach final maturity and no longer earn interest.
- Or, each year on your return, report the yearly increase of the bonds' value.

If you change to method b, report the entire increase in all your bonds from the date they were issued. Each year after, report only the yearly increase. Once you have used method b to report your interest, you must continue to do so for all your U.S. Savings Bonds.

For more information, get **Publication 550, Investment Income and Expenses**, or **Publication 537, Installment Sales**.

Exclusion of Qualifying Interest From All-Savers Certificates

You can claim a lifetime exclusion of up to \$1,000 of interest received from All-Savers Certificates. If you file a joint return, you can exclude up to \$2,000, regardless of which spouse received the interest.

For a definition of an All-Savers Certificate, see **Publication 550, Investment Income and Expenses**.

If you received interest from an All-Savers Certificate, you MUST complete Schedule B of Form 1040. See the instructions for Schedule B on page 20.

Line 9a

Dividends

Dividends are distributions of money, stock, or other property that corporations pay to stockholders. They also include dividends you receive through a partnership or an estate or trust. Payers include nominees or other agents.

Note: Generally, payments from a Money Market Fund are dividends.

If the total, including capital gain and nontaxable distributions, is more than \$400 or you elect to exclude dividends received under a qualified public utility dividend reinvestment plan, first fill in Schedule B. (The instructions for Schedule B begin on page 20.) If you received \$400 or less in dividends, include only the ordinary dividends on line 9a.

Dividends Include

● **Ordinary dividends.** These are paid out of earnings and profits and are ordinary income. Assume that any dividend you receive is an ordinary dividend unless the paying corporation tells you otherwise.

● **Capital gain distributions.** If you have other capital gains or losses, you should also enter your capital gain distributions on Schedule D. If you don't need Schedule D to report any other gains or losses, don't use it. Instead, show 40% of your capital gain distributions on Form 1040, line 14.

● **Nontaxable distributions.** Some distributions are nontaxable because they are a return of your investment. They will not be taxed until you recover your cost. You must reduce your cost (or other basis) by the amount of nontaxable distributions received. After you get back

all of your cost (or other basis), you must report these distributions as capital gains.

Do Not Report as Dividends

● Mutual insurance company dividends that reduced the premiums you paid.
● Amounts paid on deposits or accounts from which you could withdraw your money such as mutual savings banks, cooperative banks, and credit unions. Remember to report these amounts as interest on Form 1040, line 8.

Exclusion for Dividend Reinvestment in Stock of Public Utilities

Beginning in 1982, if you own stock in a qualified public utility and choose to receive your dividends in qualified common stock rather than in cash or other property, you may exclude up to \$750 (\$1,500 on a joint return) of the dividends distributed to you after December 31, 1981.

For more information, see the instructions for Schedule B on page 21.

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

Line 9b

Exclusion

For 1982, you can exclude (subtract) up to \$100 of qualifying dividend income. If you and your spouse file a joint return, you can subtract up to \$200, regardless of which spouse received the dividends.

Dividends from regulated investment companies (including Money Market Funds) may qualify. The corporation, however, will tell you how much of the dividend qualifies for the exclusion.

Dividends must be from a domestic corporation to qualify for the exclusion. Taxable dividends from the following corporations do not qualify for the exclusion:

- Foreign corporations, including dividends from controlled foreign corporations.
- Exempt organizations (charitable, fraternal, etc.) and exempt farmers' cooperative organizations.
- Electing small business corporations to the extent the amounts are distributions out of current earnings and profits.

Line 9c

Subtract line 9b from line 9a. Enter the result on this line.

Line 10

Refunds of State and Local Income Taxes

If you received a refund or credit in 1982 for State or local income taxes you paid before 1982, you may have to report it as income on your Federal income tax return.

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

If the refund was for a tax you paid in a year for which you itemized deductions on Schedule A (Form 1040), report the entire refund as income if the entire deduction in the year of payment resulted in a Federal income tax savings.

If only part of the deduction resulted in a Federal income tax savings, report only that part of the refund that resulted in the savings. (If you need help in figuring this amount, please get **Publication 525, Taxable and Nontaxable Income**.)

If you itemize deductions for 1982, do not reduce the deduction for taxes by any refund of those taxes for an earlier year.

Line 11

Alimony Received

Show amounts you received as alimony or separate maintenance on line 11. For more information, please get **Publication 504, Tax Information for Divorced or Separated Individuals**.

Line 12

Business Income or (Loss)

Please see the instructions for Schedule C. Enter your income or (loss) from Schedule C.

Line 13

Capital Gain or (Loss)

Please see the instructions for Schedule D. Enter the gain or (loss) from Schedule D.

Line 14

Capital Gain Distributions

If you do not need Schedule D for other capital transactions, enter 40% of your capital gain distributions for the year on line 14.

If you have other capital gains or losses, include these distributions on Schedule D.

Line 15

Supplemental Gains or Losses

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

Enter the gain or (loss) from Form 4797.

Line 16

Fully Taxable Pensions, IRA Distributions, and Annuities

Use this line to report fully taxable pension and annuity income and regular IRA distributions you receive.

Your pension or annuity payments are fully taxable if:

- You did not contribute to the cost of your pension or annuity, or
- You got back your entire cost before 1982.

Fully taxable pensions and annuities also include: military retirement pay shown on Form W-2P, and distributions from an individual retirement arrangement (IRA) (except for rollovers and premature distributions).

Other pensions and annuities, including rollovers, should be shown on lines 17a and 17b. Premature distributions from an IRA should be reported on line 21.

Line 17

Other Pensions and Annuities

Use lines 17a and 17b to report pension and annuity income that is not fully taxable. Also use these lines to report distributions from profit-sharing, retirement plans, and individual retirement arrangement rollovers.

The pension or annuity may not be taxable until a later year if:

a. Both you and your employer contributed to it, and

b. You will get back your full cost in 3 years or less beginning on the date you receive the first payment.

If you meet the requirements of a and b, complete the worksheet below to figure the taxable part of your pension or annuity. After you get back your full cost, all payments you receive are fully taxable. Your cost includes amounts you contributed and amounts your employer contributed which you reported as income.

Example: You retired in 1982 with a monthly pension of \$200. Both you and your employer contributed to it. Your pension cost was \$4,925. The amount you can expect to receive within 3 years is \$7,200 (36 months x \$200=\$7,200). Since this amount is more than your cost (\$4,925), you should exclude your pension until the payments total \$4,925. After that, they are fully taxable and you should report them on line 16.

For more information get **Publication 575, Pension and Annuity Income**. Retirees from the Federal government should get **Publication 567, U.S. Civil Service Retirement and Disability**.

Complete the worksheet below to figure the taxable part of your pension or annuity:

- | | |
|---|-------|
| 1a. Enter your cost | _____ |
| b. Cost recovered in prior years | _____ |
| c. Subtract line 1b from line 1a | _____ |
| 2. Amount received this year. Also enter this amount on Form 1040, line 17a | _____ |
| 3. Amount on line 2 that is not taxable (but not more than line 1c) | _____ |
| 4. Taxable part (subtract line 3 from line 2). Enter here and on Form 1040, line 17b (If zero, enter -0-) | _____ |

(Keep this worksheet for your records)

Note: If you had more than one pension or annuity that is not fully taxable, figure the taxable part of each separately. Enter the total of the taxable parts on Form 1040, line 17b.

If you cannot recover your cost within 3 years, you must use special rules to report your pension or annuity income. For more details, please get **Publication 575**. If you must use this method, enter the amount you received this year on line 17a. Enter the taxable part on line 17b.

Total Distributions from Profit-Sharing, Retirement Plans and Individual Retirement Arrangements

If you are reporting a "rollover" of a profit-sharing or retirement plan or

qualified bond purchase plan distribution into an individual retirement arrangement (IRA) or other profit-sharing or retirement plan, enter the total distribution (excluding your nondeductible contribution, if any) on line 17a. If the total on line 17a was rolled over, enter zero on line 17b. Otherwise, enter the taxable part as ordinary income on line 17b.

For more information on "rollovers" of distributions into an IRA, get **Publication 590, Tax Information on Individual Retirement Arrangements**.

If you received a lump-sum distribution from a profit-sharing or retirement plan, report the ordinary income part on line 16 of Form 1040 and the capital gain part on Schedule D (Form 1040). **Form 1099R, Statement for Recipients of Total Distributions from Profit-Sharing, Retirement Plans and Individual Retirement Arrangements**, shows the amount of the distribution. You may pay less tax on this distribution if you are eligible to use the special averaging method. (This method cannot be used for lump-sum distributions from IRA or HR-10 plans.) For more details, get **Form 4972, Special 10-Year Averaging Method**, or **Form 5544, Multiple Recipient Special 10-Year Averaging Method**, and separate instructions.

Beneficiaries—Death Benefit Exclusion

If you are the beneficiary of a decedent, you may be entitled to a death benefit exclusion of up to \$5,000 if either of the following applies:

- The decedent received no retirement pension or annuity payments, or
- The decedent received disability income payments that were not treated as pension or annuity income.

If you are entitled to this exclusion, add it to the cost of the pension or annuity. For details, get **Publication 575**.

Disability Pensions and Annuities

You may not have to pay tax on part or all of your disability payments if you meet certain tests about your age, date of retirement, whether you are permanently and totally disabled, etc.

For more information, get **Form 2440, Disability Income Exclusion**, and **Publication 522, Disability Payments**.

If you use **Form 2440** or your disability payments are fully taxable, DO NOT USE lines 17a or 17b of Form 1040. Instead, report disability payments you are not treating as a pension or annuity on Form 1040, line 7, regardless of whether you can exclude any part of them on Form 2440.

Note: Also see **Should You Make Estimated Tax Payments?** on page 17.

Line 18

Rents, Royalties, Partnerships, Estates, Trusts, etc.

See the instructions for **Schedule E**. Enter the income or (loss) from **Schedule E**.

Line 19

Farm Income or (Loss)

See the instructions for **Schedule F**. Enter the income or (loss) from **Schedule F**.

Line 20

Unemployment Compensation

Unemployment compensation (insurance) you receive may be taxable under certain conditions.

You should receive a statement, on **Form 1099-UC**, showing the total unemployment compensation paid to you during the year. For payments in 1982, you should receive this statement by January 31, 1983.

Note: *Supplemental unemployment benefits received from a company-financed supplemental unemployment benefit fund are wages. They are not considered unemployment compensation for purposes of this computation. Report these benefits on Form 1040, line 7.*

If you received any unemployment compensation during 1982, please enter the total from Form(s) 1099-UC on line 20a. To see if any of the unemployment compensation is taxable, fill in the following worksheet:

Check only one box

- A.** Single—enter \$12,000 on line 8 below.
- B.** Married filing a joint return—enter \$18,000 on line 8 below.
- C.** Married not filing a joint return and lived with your spouse at any time during the year—enter -0- on line 8 below.
- D.** Married not filing a joint return and DID NOT live with your spouse at any time during the year—enter \$12,000 on line 8 below.

- | | |
|---|-------|
| 1. Total unemployment compensation from Form(s) 1099-UC | _____ |
| 2. If you received an overpayment of unemployment compensation in 1982 and repaid it in 1982, enter the repayment here. Also write "repayment" and the amount repaid in the margin of Form 1040 to the left of line 20a | _____ |
| 3. Subtract line 2 from line 1 | _____ |
| 4. Enter the total of the amounts on Form 1040, lines 7, 8, 9c through 19, and 21 (do not include any unemployment compensation in this figure) | _____ |
| 5. Add lines 3 and 4 | _____ |
| 6. Enter the total of the amounts shown on Form 1040, lines 23 through 28 and any write-in adjustments on line 31 | _____ |
| 7. Subtract line 6 from line 5 | _____ |
| 8. Enter $\left\{ \begin{array}{l} \$12,000 \text{ if you checked} \\ \text{box A or D, or} \\ \$18,000 \text{ if you checked} \\ \text{box B, or} \\ -0- \text{ if you checked} \\ \text{box C} \end{array} \right.$ | _____ |
| 9. Subtract line 8 from line 7. If zero or less, stop here and enter -0- on Form 1040, line 20b | _____ |
| 10. Enter one-half (50%) of the amount on line 9 | _____ |
| 11. Taxable unemployment compensation. Enter the amount from line 3 or line 10, whichever is smaller. Also enter on Form 1040, line 20b | _____ |

Line 21

Other Income

Use line 21 to report any income you can't find a place for on your return or

other schedules. Also show the nature and source of the income.

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

Examples of income to be reported on line 21 are:

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

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

- Repayment of medical expenses or other items such as real estate taxes that you deducted in an earlier year, if they reduced your tax.

- Amounts you recovered on bad debts that you deducted in an earlier year.

- Early withdrawals from an IRA of payments you deducted in an earlier year.

Net operating loss. If you had a net operating loss in an earlier year to carry forward to 1982, enter it as a minus figure on line 21. Attach a statement showing how you figured the amount. See Publication 536, Net Operating Losses and the At-Risk Limits, for more details.

Line 22

Total Income

Add the amounts in the column for line 7 through line 21. Enter the total on line 22.

Adjustments to Income

Line 23

Moving Expense

Employees and self-employed persons (including partners) can deduct certain moving expenses. The move had to be in connection with your job or business.

You can take this deduction only if your change in job location has added at least 35 miles to the distance from your old residence to your work place. If you had no former principal work place, your new principal work place must be at least 35 miles from your former residence.

If you meet these requirements, you should see Form 3903 for details. Use Form 3903 to figure the amount of moving expenses to show on line 23. If you moved outside the United States or its possessions, see Form 3903F.

If your employer paid for any part of the move, you must report that as income on Form 1040, line 7. Your employer should give you Form 4782 and include that amount in total wages, tips and other compensation on Form W-2.

Line 24

Employee Business Expenses

You can deduct certain business expenses that were not paid by your employer. Travel, transportation (but not commuting to and from work) and meals and lodging can be deducted on line 24 by using Form 2106 even if you do not itemize deductions on Schedule A. All other business expenses such as union or professional dues, tools, and uniforms can be deducted only if you itemize deductions on Schedule A. Outside salespersons should claim their business expenses on line 24 by using Form 2106. For details, get Publication 463, Travel, Entertainment, and Gift Expenses.

Line 25

Payments to an Individual Retirement Arrangement (IRA)

Use the following worksheet to figure your deduction for payments to an IRA (including those made under a Simplified Employee Pension (SEP) plan). Schedule C or F filers with a SEP and partners with a SEP take the deduction on line 26.

You may include payments made on or before the due date of this return (including any extensions). Do not include 1982 payments made before the due date of your 1981 income tax return and deducted on your 1981 tax return. If both spouses work and both have IRAs, figure each spouse's deduction separately. Enter the total of the two deductions on line 25.

Also enter the number which identifies your situation in the code space on line 25.

Failure to include the code will delay processing of your return.

One individual IRA	1
Two individuals IRAs (both spouses employed)	2
One individual IRA and one spousal IRA (only one spouse employed)	3
One SEP	4
Two SEPs	5
One individual IRA and one SEP	6

For more information, see Publication 590, Tax Information on Individual Retirement Arrangements, Worksheet

- (a) Amount paid to your IRA. (Do not include rollovers or your employer's SEP payments.)
(b) Amount of any qualified employee contributions made to your employer's pension or profit-sharing plan
(c) Add (a) and (b)
- Your employer's SEP payments to your IRA
- Amount paid to your non-working spouse's IRA. (Do not include rollovers.)
(If you made excess payments in earlier years, you may be able to include them on line 9. See instructions for Form 5329, line 3.)
- Wages and other earned income from Form 1040. (Do not include spouse's income and do not reduce your wages by losses from self-employment.)
- Enter employer's SEP payments.
- Subtract line 5 from line 4

Complete lines 7 and/or 8 below, whichever applies to you.

- (a) Your IRA.—Enter the smallest of: \$2,000, line 4, or line 1(c)
(b) IRA for your non-working spouse.—Enter the smallest of \$2,000, line 4, or line 3
(c) Total of (a) and (b) but not more than \$2,250
- Simplified Employee Pension (SEP).—Enter the smallest of line 2, 15% of line 6, or \$15,000
- Allowable deduction.—Add lines 7(c) and 8. Also enter on Form 1040, line 25

(If line 9 is smaller than your IRA contributions and you do not withdraw this excess payment before your return is due, you must file Form 5329 and pay the tax due.)

Line 26

Payments to a Keogh (H.R. 10) Retirement Plan

Caution:—You must have earnings from self-employment to claim this deduction. Sole proprietors and partners enter the allowable deduction for contributions to your Keogh (H.R. 10) plan and your SEP on line 26.

There are two types of Keogh (H.R. 10) retirement plans:

- Defined-contribution plan.**—Under this type of plan, you are limited to 15% of your qualified earned income but not more than \$15,000.

- Defined-benefit plan.**—The deduction for this type of plan is determined by the investment needed to fund a specific benefit at retirement age. Write "DB" on the line to the left of the amount if you have a defined-benefit plan.

For more details, get Publication 560, Tax Information on Self-Employed Retirement Plans.

Line 27

Penalty on Early Withdrawal of Savings

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

Line 28

Alimony Paid

You can deduct periodic payments of alimony or separate maintenance made under a court decree. You can also deduct payments made under a written separation agreement entered into after August 16, 1954, or a decree for support entered into after March 1, 1954. Don't deduct lump-sum cash or property settlements, voluntary payments not made under a court order or a written separation agreement, or amounts specified as child support. For details, get Publication 504, Tax Information for Divorced or Separated Individuals.

Line 29

Deduction for a Married Couple When Both Work

For 1982 you can claim a deduction if:

- you are married filing a joint return,
- both you and your spouse have Qualified Earned Income, and
- you do not exclude income earned abroad or in U.S. possessions or claim the foreign housing deduction.

Generally, earned income is income you receive for services you provide such as wages, salaries, tips, and commissions. It also includes income earned from self-employment.

Caution: Do not consider community property laws in figuring your earned income.

Complete **Schedule W (Form 1040)** to figure your deduction.

Line 30

Disability Income Exclusion

This exclusion is for persons who are retired on permanent and total disability.

You must meet ALL these tests:

- You had not reached mandatory retirement age on January 1, 1982.
- You were under age 65 on December 31, 1982.
- You were permanently and totally disabled—

- when you retired, or
- on January 1, 1976, or January 1, 1977, if you retired before the later date on disability or under circumstances which entitled you to retire on disability.

Use **Form 2440, Disability Income Exclusion**, to figure the amount of any exclusion. Enter the exclusion from **Form 2440** on this line.

Note: Be sure to include the full amount of your disability pension on **Form 1040, line 7**.

Other Adjustments

If you can claim any one of the following adjustments, include it in the total on line 31. Be sure to identify it on the dotted line next to the total and show the amount.

Foreign Housing Deduction.—If you have income earned abroad and you claim a deduction for foreign housing expenses on **Form 2555**, enter your deduction on line 31. Write "Deduction from **Form 2555**" in the space to the left of the total.

Forestation/Reforestation Amortization.—If you can claim a deduction for amortization of the costs of forestation or reforestation and you do not have to file **Schedule C** or **Schedule F** for this activity, enter your deduction on line 31. Write "Reforestation" in the space to the left of the total.

Repayment of Sub-pay under the Trade Act of 1974.—If you repaid supplemental unemployment benefits (sub-pay) that you previously reported in income because you became eligible for payments under the Trade Act of 1974, enter the amount you repaid in 1982. Write

"Sub-pay TRA" in the space to the left of the total. Or, you may be able to claim a credit against your tax instead. See **Publication 525, Taxable and Nontaxable Income**, for more details.

Line 31

Total Adjustments

Add lines 23 through 30. Include any of the amounts you wrote in to the left of this total. Enter the total on this line.

Line 32

Adjusted Gross Income

Subtract line 31 from line 22. If line 32 is less than \$10,000, you may be eligible to claim the Earned Income Credit. Please see the instructions for line 62 on page 15.

If line 32 is less than zero (0), you may have a net operating loss that you can carry to another tax year. If you carry the loss back to earlier years, see **Form 1045**. For more information, please get **Publication 536, Net Operating Losses and the At-Risk Limits**.

Tax Computation

Line 33

Enter the amount from line 32.

Line 34a

You will fall into one of the three classes below:

- You MUST itemize deductions, or
 - You choose to itemize, or
 - You do not itemize.
- The three classes are described below.

You MUST Itemize Deductions

You must itemize deductions if:

A. You can be claimed as a dependent on your parents' return and had interest, dividends, or other unearned income of \$1,000 or more. Generally, this means that you must complete **Schedule A** and the worksheet on this page.

There are two exceptions to this rule:

1. You don't have to itemize or complete **Schedule A** or the worksheet if you have earned income* of \$2,300 or more if single (\$1,700 or more if married filing a separate return). Enter zero (0) on line 34a and go on to line 34b.
2. You don't have to itemize and use **Schedule A** if you know that your earned income* is more than your itemized deductions. In this case go directly to the worksheet on this page after completing line 33 of **Form 1040**. Enter your earned income on line 3 of the worksheet in the next column.

Note: If your unearned income is less than \$1,000, you don't have to use **Schedule A** or the worksheet—enter zero (0) on line 34a and go on to line 34b.

In any case, be sure to check the box below line 34a.

B. You are married, filing a separate return, and your spouse itemizes. (There is an exception to this rule: You don't have to itemize if your spouse is described

in item A above and enters earned income* instead of itemized deductions when completing the worksheet below.)

C. You file **Form 4563** and exclude income from sources in U.S. possessions. (Please see **Form 4563**, and **Publication 570, Tax Guide for U.S. Citizens Employed in U.S. Possessions**, for more details.)

D. You had dual status as a nonresident alien for part of 1982, and during the rest of the year you were either a resident alien or a U.S. citizen. However, you do not have to itemize if you file a joint return with your spouse who was a U.S. citizen or resident at the end of 1982 and you and your spouse agree to be taxed on your combined worldwide income.

After you've completed Schedule A:

- If **Schedule A, line 29**, is more than line 28, do not fill in **Form 1040, line 34a**. Go to the worksheet below instead and complete it to figure the amount to enter on **Form 1040, line 35**.
- If **Schedule A, line 28**, is more than line 29, enter the amount from **Schedule A, line 30**, on **Form 1040, line 34a**.

Worksheet

- 1 Enter the amount from **Form 1040, line 33** _____
- 2 If you checked **Form 1040, Filing Status Box:**

2 or 5, enter \$3,400	}	
1 or 4, enter \$2,300		
3, enter \$1,700		
- 3 Enter the amount from **Schedule A, line 28** (or earned income, if more) _____
Caution: If you can be claimed as a dependent on your parents' return, see **A** on this page. Be sure you check the box below line 34a of **Form 1040**.
- 4 Subtract line 3 from line 2 _____
- 5 Add lines 1 and 4. Enter here and on **Form 1040, line 35**. (Leave **Form 1040, lines 34a and 34b** blank. Disregard the instruction to subtract line 34a or 34b from line 33. Follow the rest of the instructions for **Form 1040, line 35**) _____

The example below may help you to complete this worksheet.

Example.—Walter Green, a single individual, is claimed as a dependent on his parents' return. Walter's adjusted gross income, **Form 1040, line 33**, is \$4,000. Of this amount, \$1,500 was earned income from a summer job and \$2,500 was unearned income that he received as a beneficiary of a trust. Because Walter is

***Earned Income** is income you receive for personal services you have performed. It includes wages, salaries, tips, and professional fees.

Generally, your earned income is the total of the amount(s) you reported on **Form 1040, lines 7, 12, and 19**.

Earned income does not include pay for your services that included a distribution of earnings and profits other than reasonable compensation for your work for a corporation.

If you were engaged in a trade or business in which both your services and capital were important income-producing factors, your earned income will be based on a reasonable allowance for the services you performed. However, the earned income may not be more than 30 percent of your share of the net profits from the business.

being claimed as a dependent on his parents' return and has unearned income of \$1,000 or more and earned income of less than \$2,300, he must use the worksheet. Walter knows that his total itemized deductions are only \$500. Since this is less than his earned income (\$1,500), he does not have to complete Schedule A. Walter enters \$2,300, the zero bracket amount for a single individual, on line 2 and his earned income on line 3. He completes the worksheet as shown below and enters the total of \$4,800 on Form 1040, line 35. He then completes his return using the instructions that follow.

1 Adjusted gross income . . .	\$4,000
2 Zero bracket amount for a single individual . . .	\$2,300
3 Earned income . . .	1,500
4 Subtract line 3 from line 2 . . .	800
5 Add lines 1 and 4. Enter here and on Form 1040, line 35 . . .	\$4,800

Note: If Walter's itemized deductions are more than his earned income, he must complete Schedule A first.

You Choose to Itemize

You may choose to itemize your deductions if you are:

- Married and filing a joint return, or a Qualifying widow(er) with dependent child, and your itemized deductions are more than \$3,400.
- Married and filing a separate return, and your itemized deductions are more than \$1,700.
- Single, or a Head of household, and your itemized deductions are more than \$2,300.

If you do itemize, complete Schedule A and enter the amount from Schedule A, line 30, on Form 1040, line 34a.

Caution: Certain taxpayers must itemize even though their itemized deductions are less than the amount shown here for their filing status. See "You MUST Itemize Deductions" on page 12.

You Do Not Itemize

If your itemized deductions are less than the amount shown above for your filing status (or you choose not to itemize), enter zero on line 34a unless you MUST itemize as described on page 12.

Line 34b

Deduction for Charitable Contributions

For 1982, you may deduct part of your charitable contributions even if you do not itemize your deductions. Your deduction is limited to 25% of your first \$100 (\$50 if married filing separately) of contributions to qualified organizations. Therefore, you can deduct up to \$25 (\$12.50 on a separate return) on line 34b.

Include what you gave to, or for the use of, a qualified organization. Examples of qualified organizations are: churches, United Way, and nonprofit schools and hospitals.

Contributions can be cash (including checks and money orders), property, or out-of-pocket expenses paid to do volunteer work for a qualified organization.

For more details on what qualifies as a charitable contribution, see the instructions for contributions on page 19.

Use the worksheet below to figure your deduction.

Charitable Contributions Worksheet

1. Cash contributions (including checks, money orders, receipts, or other written evidence) . . .	_____
2. Other contributions . . .	_____
3. Total. Add lines 1 and 2 . . .	_____
4. Multiply the amount on line 3 by 25% (.25) . . .	_____ × .25
5. Enter here and on Form 1040, line 34b BUT NOT MORE THAN \$25 (\$12.50 if married filing separately) . . .	_____

Line 35

Subtract line 34a or 34b from line 33. Remember—if you completed the worksheet on page 12, the amount on line 35 will be the amount from line 5 of that worksheet (and line 35 will be more than line 33).

Line 36

Exemptions

Multiply \$1,000 by the total number of exemptions you claimed on line 6e.

Line 37

Taxable Income

Subtract line 36 from line 35.

Line 38

Tax

To figure your tax, you will use one of the following methods. Read the conditions below to see which you should use.

Tax Rate Schedules

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

Also use the Tax Rate Schedules if you figure your tax using:

Income Averaging, Schedule G.—You may pay less tax by using this method if there has been a large increase in your income this year. In some cases you may benefit even if your 1982 income did not increase substantially. This will depend on the amount of your taxable incomes in the four base years (1978–1981). Get Schedule G to see if you qualify. Also see **Publication 506, Income Averaging**, for more details and a filled-in sample Schedule G.

Tax Table

If none of the above conditions apply to you, you MUST use the Tax Table to find your tax.

Be sure you use the correct column in the Tax Table. After you have found the correct tax, enter that amount on line 38.

There is an example at the beginning of the table to help you find the correct tax.

Note: The allowance for the zero bracket amount and the tax rate reduction have already been built into both the Tax Table and the Tax Rate Schedules for you.

Line 39

Additional Taxes

Use this line to report any of the additional taxes listed below. Check the box(es) on line 39 for the taxes that apply to you.

Form 4970, Tax on Accumulation Distribution of Trusts.

Form 4972, Special 10-Year Averaging Method.

Form 5544, Multiple Recipient Special 10-Year Averaging Method.

Section 72 penalty taxes. If you are or were an owner-employee and received income from a premature or excessive distribution from a Keogh (H.R. 10) plan or trust, you will have to pay a penalty tax of 10 percent of the distribution. Or, if you were an employee, made any deductible contributions to your employer's qualified plan, and received income from a premature distribution, you may have to pay a penalty tax. These penalties are in addition to the regular income tax. (Note: Only the credits on lines 41, 44, 45, and 47 can be used to reduce these taxes. Attach a separate sheet, showing how you applied any of these credits.) See **Publication 560, Tax Information on Self-Employed Retirement Plans**, for more details.

Residence Credit Recapture. If you claimed the credit for a new residence in 1975, and sold it in 1978, you may have to repay the credit in 1982. See **Publication 523, Tax Information on Selling Your Home**, for more details. If you must repay the credit in 1982, include it in your total for line 39. On the dotted line next to this total, please write "Residence Credit Recapture" and show the amount.

Line 40

Total

Add lines 38 and 39. Enter the total on line 40.

Credits

Line 41

Credit for the Elderly

You may be able to take this credit and reduce your tax if you are:

- Age 65 or over, or
- Under age 65 and retired under a public retirement system.

For more information, please see the instructions for **Schedules R & RP**. Enter the credit on this line.

If you want IRS to figure the credit for you, see **IRS Will Figure Your Tax and Some of Your Credits** on pages 3 and 4.

Line 42

Foreign Tax Credit

Form 1116 explains when you can take this credit for payment of income tax to a foreign country. Also see **Publication 514, Foreign Tax Credit for U.S. Citizens and Resident Aliens**. Enter the credit from **Form 1116** on this line.

Line 43

Investment Credit

You are allowed a credit for investing in certain types of trade or business property. Use Form 3468 to figure the amount of any credit. Enter the credit from Form 3468 on this line.

Line 44

Partial Credit for Political Contributions

You may take a tax credit on this line for contributions to candidates for public office and to newsletter funds and political committees of candidates and elected public officials.

Caution: Do not take this credit for the \$1 or \$2 you checked to go to the Presidential Election Campaign Fund.

To figure your credit, add up the amounts you gave. Enter half of this total on line 44, but do not enter more than the smaller of the following:

- \$50 (\$100 if you are married and filing a joint return), or
- The amount on line 40 reduced by the credits on lines 41, 42, and 43.

For more information, please see Publication 585, Voluntary Tax Methods to Help Finance Political Campaigns.

Line 45

Credit for Child and Dependent Care Expenses

You may be able to take a credit on line 45 for payments you made for child and disabled dependent care while you (and your spouse if you are married) worked or looked for work.

The credit is allowed if you kept up a home that included a child under age 15 or your dependent or spouse who could not care for himself or herself.

Please see Form 2441 for more information, including special rules for divorced or separated taxpayers and certain employment taxes for which you may be liable.

Line 46

Jobs Credit

Business employers who hire individuals who are members of special targeted groups may qualify for this credit.

Please get Form 5884 and Publication 906, Jobs and Research Credits, for more information. Also see the instructions for Form 5884 if you have a WIN credit or a WIN credit carryover.

Line 47

Residential Energy Credit

Generally, if you installed energy saving items in your principal residence during 1982, or you have an energy credit carryover from a prior tax year, you may take a credit against your tax.

Form 5695, Residential Energy Credit, tells you which energy saving items qualify and how to take the credit. Also, see Publication 903, Energy Credits for Individuals, for more information.

Line 48

Other Credits

Alcohol Fuel Credit

You may be able to take a credit for alcohol used as fuel. This applies to straight alcohol you sell at retail or use as fuel in your trade or business. It also applies to an alcohol mixture you sell or use as fuel in your trade or business. Use Form 6478 to figure the credit. Please write "Alcohol Fuel Credit" in the space provided and show the amount on line 48.

Credit for Fuel from a Nonconventional Source

A credit is allowed for the sale of qualified fuels produced from a nonconventional source. See I.R. Code section 44D for a definition of qualified fuels, provisions for figuring the credit, and other special rules. Attach a separate schedule showing how you figured the credit. Please write "FNS" in the space provided and show the amount on line 48.

Credit for Increasing Research Activities

You may be able to take a credit for research and experimental expenditures paid or incurred in carrying on your trade or business. Generally, the credit is 25% of the increased research expenses after June 30, 1981. Use Form 6765 to figure the credit. Please write "Research" and show the amount on line 48.

Line 49

Total Credits

Add lines 41 through 48. Enter the total on this line.

Line 50

Balance

Subtract line 49 from line 40 and enter the result on this line. If the amount is less than zero, enter zero.

Other Taxes

Line 51

Self-Employment Tax

If you had self-employment income in 1982, and earned under \$32,400 in wages from which social security tax (FICA) or RRTA tax was withheld, you may have to pay self-employment tax. Please see Schedule SE and instructions. If you have to pay self-employment tax, enter the amount from Schedule SE, line 14.

Line 52

Minimum Tax

You may be liable for minimum tax if you have any of the following tax preference items:

- accelerated depreciation;
 - amortization;
 - reserves for bad debts of financial institutions;
 - depletion; and
 - intangible drilling costs.
- Attach Form 4625 and enter the tax, if any, on this line if you have:

- items of tax preference of more than \$10,000 (\$5,000 if married filing a separate return) even if there is no minimum tax; or
- any minimum tax liability deferred from an earlier tax year.

See Form 4625 for more information.

Line 53

Alternative Minimum Tax

You may be liable for the alternative minimum tax if you have:

- tax preference items for adjusted itemized deductions or a capital gain deduction;
- an entry on Schedule D, line 9a, and credits on Form 1040, line 49; or
- nonbusiness credits for investment credit, WIN credit, or jobs credit.

In general, you have adjusted itemized deductions if your itemized deductions exceed 60% of your adjusted gross income.

Get Form 6251 to see if you are liable for this tax.

Line 54

Tax from Recapture of Investment Credit

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

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

You may also need Form 4255 if you disposed of more than one-third of your interest in a partnership or small business corporation.

Line 55

Social Security (FICA) Tax on Tip Income Not Reported to Employer

If you received tips of \$20 or more in any month and you did not report the full amount to your employer, you must pay the social security or railroad retirement tax on the unreported tips.

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

To determine the amount of railroad retirement tax on unreported tips, contact your nearest Railroad Retirement Board office. On line 55, enter the tax and next to it, write "RRTA" in the margin.

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

Line 56

Uncollected Employee FICA and RRTA Tax on Tips

If you did not have enough wages to cover the social security tax (FICA) or railroad retirement tax (RRTA) due on tips you reported to your employer, the amount of tax due will be shown on your Form W-2. Enter that amount on line 56.

Line 57

Tax on an IRA

If you have an IRA (Individual Retirement Arrangement), including an IRA under a SEP, add any taxes from Form 5329. Enter the total taxes on line 57.

Line 58

Advance Earned Income Credit (EIC) Payments

Enter the total of the advance earned income credit payments as shown on your Forms W-2. (The amount of earned income credit to which you are actually entitled will be figured in the worksheet to the right and entered later on line 62.)

Line 59

Total Tax

Add lines 50 through 58. Put the total on line 59.

Payments

Line 60

Total Federal Income Tax Withheld

Add the amounts shown as Federal income tax withheld on your Forms W-2, W-2G, and W-2P. Enter the total on this line.

Line 61

1982 Estimated Tax Payments

Enter on this line any payments you made on your estimated Federal income tax (Form 1040-ES) for 1982. Include any overpayment from your 1981 return that you applied to your 1982 estimated tax.

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

If you or your spouse paid separate estimated tax, but you are now filing a joint income tax return, add the amounts you each paid.

Follow the above instructions even if your spouse died.

Divorced taxpayers.—If you were divorced during 1982, you may have filed a joint declaration of estimated tax with your former spouse. If so, please enter your former spouse's social security number in the block provided on the front of Form 1040. In the upper right corner of the return, above the social security numbers, write "DIV."

If you were divorced and remarried in 1982, enter your present spouse's social security number in the block provided on the front of Form 1040. Also, enter your former spouse's social security number in the upper right corner above the blocks and write "DIV" above that number.

Line 62

Earned Income Credit

What Does the Earned Income Credit Do?

The earned income credit helps many taxpayers who have incomes under \$10,000. If you can take the earned income credit, you can subtract it from tax you owe or get a refund even if you had no tax withheld from your pay. The credit can go as high as \$500.

To see if you can take the Earned Income Credit, answer the questions below.

- | | Yes | No |
|---|--------------------------|--------------------------|
| 1. Is the amount you listed on Form 1040, line 33, less than \$10,000? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Did you receive any wages, salaries, tips, or other earned income (see "What is Earned Income?" on page 16)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Did you have a child (see Note 1 below) who lived with you in the same principal residence in the U.S. during all of 1982? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. If you checked Filing Status box 2 or box 5 on Form 1040, did you claim your child as a dependent on Form 1040, line 6c? OR
If you checked Filing Status box 4 on Form 1040 and your child was married for 1982, did you claim that child as a dependent on Form 1040, line 6c? OR
If you checked Filing Status box 4 on Form 1040 and your child was unmarried for 1982, did you enter that child's name on Form 1040, line 4 (or 6c if you claimed that child as a dependent)? | <input type="checkbox"/> | <input type="checkbox"/> |

Note 1—For this purpose, the word **child** means:

- Your son or daughter.
- Your stepchild, adopted child, or a child placed with you by an authorized placement agency for legal adoption (even if the child became your stepchild or adopted child, or was placed with you, during the year).
- Any other child whom you cared for as your own child for the whole year, unless the child's natural or adoptive parents provided more than half of the support for that year.

If you answered **NO** to any question, you can't take the earned income credit. Do not fill in the worksheet. Instead write "NO" on line 62 of Form 1040.

If you answered **YES** to all the questions, you may be able to take the credit. Use the Earned Income Credit Worksheet to figure the amount of any credit.

Note 2—If you expect to answer **YES** to all of the above questions for 1983 and want to receive advance payments of the credit, file Form W-5 with your employer.

Earned Income Credit Worksheet

To figure your credit, follow the instructions below.

1. Enter the amount from Form 1040, line 7, plus any other compensation from your employer, regardless of whether it is taxable. Include disability pensions but do not include other pensions or annuities.	\$
2. If you were self-employed, enter the amount, even if a loss, from Schedule SE, line 9. If you have self-employment income that you reported on line 1 above, do not include it here. (Clergy and religious workers, see Publication 517)	
3. Earned income. Add lines 1 and 2. However, if line 2 is a loss, subtract line 2 from line 1. If the amount on line 3 is \$0 or less, do not complete the rest of this worksheet; you cannot take the credit. If it is more than zero, complete 4 and either 5 or 6 below.	
4. Adjusted gross income. Enter the amount from Form 1040, line 33.	
5. If line 4 above is \$6,000 or less , use the amount from line 3 above to find your credit in the table on page 41. Enter the credit here and on Form 1040, line 62.	
6. If line 4 above is over \$6,000:	
a. First find the amount from line 3 above in the table on page 41 and enter the credit for that amount here. \$.....	
b. Then find the amount from line 4 in the table and enter the credit for that amount here. \$.....	
c. Enter the amount from line 6a or 6b, whichever is smaller, here and on Form 1040, line 62.	
	\$

Do NOT file this worksheet with your return—Keep it for your tax records

What Is Earned Income?

In most cases, you had earned income if you worked last year.

Earned income includes:

- wages, salaries, and tips.
- anything else of value (money, goods, or services) you get from your employer for services you performed regardless of whether it is taxable.

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

- Housing allowance (or rental value of a parsonage) for members of the clergy.
 - Meals and lodging.
 - Disability pensions that qualify for exclusion on Form 2440.
- earnings from self-employment—this is usually the amount shown on Schedule SE (Form 1040), line 9.

Earned income does not include items such as interest, dividends, social security payments, welfare benefits, veterans' benefits, workmen's compensation or unemployment compensation (insurance).

Who Can't Take the Earned Income Credit?

You can't take the credit if:

- your income is \$10,000 or more; or
- you are single (Filing Status Box 1); or
- you are married filing a separate return (Filing Status Box 3); or
- you file Form 2555 to exclude income earned overseas or claim the housing deduction; or
- you file Form 4563 to exclude income earned from sources in U.S. possessions.

If you can take the credit, enter on line 62 the credit from line 5 or line 6c of this worksheet, whichever applies.

If you want IRS to figure the credit for you, see **IRS Will Figure Your Tax and Some of Your Credits** on pages 3 and 4.

Line 63

Amount Paid with Form 4868 (Extension of Time to File)

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

Line 64

Excess FICA and RRTA Tax Withheld— Two or More Employers

If you had two or more employers in 1982 who together paid you more than \$32,400 in wages, too much social security tax (FICA) and railroad retirement tax (RRTA) may have been withheld from your wages. If so, you may be able to take credit for it against your income tax.

If you are filing a joint return, you must figure this separately for you and your spouse.

If you worked for two or more railroad employers, see your employer for information on how to figure your excess RRTA tax. Do not use this worksheet.

Please follow the steps below to see if you can take credit.

Step 1. Add all FICA tax withheld (but not more than \$2,170.80 for each employer). * Enter total here.....\$_____

Step 2. From Form 1040, line 56, enter all uncollected FICA tax on tips, if any....._____

Step 3. Add 1 and 2 above....._____

Step 4. Less..... -2,170.80

Step 5. Subtract 4 from 3. Enter this amount on line 64..\$_____

***Note:** If any one employer withheld more than \$2,170.80, you should ask the employer to refund the excess to you. You cannot take credit for it on your return.

Line 65

Credit for Federal Tax on Special Fuels and Oils

If you can take a credit for tax on gasoline, special fuels, and lubricating oils used in your business (including qualified taxi cabs), please attach **Form 4136**. Enter the credit on line 65.

Line 66

Regulated Investment Company Credit

Enter on this line the total amount of the credit from **Form 2439**. Be sure to attach Copy B of Form 2439.

Overpaid Windfall Profit Tax

You may be allowed credit for overpaid windfall profit tax. Use **Form 6249** to figure the overpayment. Include this amount in your total for line 67. On the dotted line next to this total, please write "Overpaid Windfall Profit Tax" and show the amount.

Line 67

Total

Add lines 60 through 66. Include any Overpaid Windfall Profit Tax. Enter the total on line 67.

Refund or Amount You Owe

Line 68

Amount Overpaid (If line 67 is larger than line 59)

Subtract line 59 from line 67. You can choose to have all, or part, of this amount refunded to you (line 69). The remainder if any, can be applied to your estimated tax for 1983 (line 70). If line 68 is under \$1, we will send you a refund only on written request.

Line 69

Refund

Enter the amount from line 68 that you want refunded to you. If your refund is large, you may want to have less income tax withheld from your pay. See the instructions on page 17 for **Income Tax Withholding for 1983**.

Line 70

Applied to 1983 Estimated Tax

Subtract line 69 from line 68. This is the amount that will be applied to your estimated tax for 1983. Enter this amount on line 70.

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

Line 71

Amount You Owe (If line 59 is larger than line 67)

Subtract line 67 from line 59. This is the amount you owe. Enter the amount on this line.

Attach your check or money order for the full amount when you file. Make it out to "Internal Revenue Service" and be sure to write your social security number and "1982 Form 1040" on it. If line 71 is under \$1, you do not have to pay.

In most cases, people who have income tax withheld from their wages will find that the amount withheld will be fairly close to their tax for the year. Sometimes it is not, and this is more likely to happen if both you and your spouse worked.

If you do owe tax for 1982, you may want to increase the amount of income tax withheld from your pay. Otherwise, you may be required to make estimated tax payments. See the instructions on page 17 for **Income Tax Withholding for 1983 and Should You Make Estimated Tax Payments?**

Underpayment of Estimated Tax

If line 71 is \$200 or more and more than 20% of the tax shown on your return, or you underpaid your 1982 estimated tax liability for any payment period, you may owe a penalty. Get **Form 2210** (Form 2210F for farmers and fishermen) to see if you meet one of the exceptions to the penalty. Please attach that form to Form 1040 to show how you figured the penalty or which exceptions you believe you meet.

If you attach Form 2210 or 2210F, be sure you check the box below line 71. If you owe a penalty, show the amount in the space below line 71.

If you owe tax, add the penalty amount to the tax due and show the total on line 71. Or, if you are due a refund, subtract the penalty amount from the overpayment you show on line 68.

Now continue with step 6 below

Step 6

Check your return to make sure it is correct.

Step 7

Sign and date your return.

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

Step 8

Did you have someone else prepare your return?

If you fill in your own return, the Paid Preparer's space should remain blank. If someone prepares your return and **does not charge you**, that person **should not sign** your return.

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

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

The preparer required to sign your return **MUST** complete the required preparer information and:

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

Tax return preparers should be familiar with their responsibilities. They should see **Publication 1045**, Information and Order Blanks for Preparers of Federal Income Tax Returns, for more details.

Step 9

Attachments

Attach the first copy or Copy B of Forms **W-2**, **W-2G**, and **W-2P** to the front of Form 1040. Attach schedules and forms in "sequence number" order. The number is just below the year in the upper right corner.

If you need more space on forms or schedules, attach separate sheets and use the same arrangement as the printed forms. But show your totals on the printed forms. Please use sheets that are the same size as the forms and schedules. Be sure to put your name and social security number on these separate sheets.

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

Reminders

Penalties and Interest

a. Interest. Interest will be charged on taxes not paid by their due date, even if an extension of time to file is granted.

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

c. Late Payment of Tax. The penalty for not paying tax when due is 1/2 of 1% of the unpaid amount for each month or part of a month it remains unpaid. The maximum penalty is 25% of the unpaid amount. The penalty applies to any unpaid tax shown on a

return. It also applies to any additional tax shown on a bill that is not paid within 10 days after the date of the bill. This penalty is in addition to interest charges on late payments.

Note: If you include interest or either of these penalties with your payment, identify and enter these amounts in the bottom margin of Form 1040, page 2. Do not include the interest or penalty amounts in Amount You Owe on line 71.

Income Tax Withholding for 1983

If the amount you overpaid (line 68) or the amount you owe IRS (line 71) is large, please see your payroll office. Ask about filling out a new Form **W-4** to change the amount of income tax to be withheld from your wages. For example, working married couples and persons with two or more jobs often need to have more tax withheld to avoid owing a large payment when the return is filed. You may also owe more tax because you have other income on which there is no withholding such as capital gains.

If the amount you owe IRS is large, you may have to make estimated tax payments for 1983. See **Should You Make Estimated Tax Payments?**, below.

Or, if you got a large refund, get a copy of Form **W-4** from your employer and read the instructions. If you are entitled to additional allowances, file a new **W-4** with your employer.

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

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

Should You Make Estimated Tax Payments?

In general, you do not have to make estimated tax payments if you expect that your 1983 Form 1040 will show a tax refund, or a tax balance due IRS of less than \$300. If your total estimated tax is \$300 or more, please get Form **1040-ES**. It contains a worksheet that you can use to see if you have to make estimated tax payments.

Address Change

If you move after you file your return and you are expecting a refund, you should notify the post office serving your old address. Also notify the IRS service center where you filed your return of your address change. This will help to forward your check to your new address as soon as possible. Be sure to include your social security number in any correspondence with the IRS.

How Long Should Records Be Kept?

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

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

Amended Return

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

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

Instructions for Schedule A Itemized Deductions

Purpose

Some taxpayers must itemize their deductions and some should itemize because they will save money. See **You MUST Itemize Deductions and You Choose to Itemize** on pages 12 and 13.

If you itemize, you can deduct part of your medical and dental expenses, and amounts you paid for certain taxes, interest, contributions, casualty and theft losses, and other miscellaneous expenses. These are explained below.

If your deductions are more than 60% of the amount on Form 1040, line 33, you may be liable for the alternative minimum tax. See the instructions for line 53 on page 14 for more information.

Lines 1 through 10

Medical and Dental Expenses

Before you can figure your total deduction for medical expenses, you must complete your Form 1040 through line 33.

Only that part of your medical and dental expense that is more than 3% of your adjusted gross income on Form 1040, line 33, is deductible.

However, you may deduct one-half of your medical and dental insurance premiums, up to a maximum of \$150, without reducing that amount by 3% of your adjusted gross income. Include amounts you paid for hospital, medical, and extra Medicare (Medicare B) insurance. On line 4 show total insurance

premiums you paid. Show half of your premiums, up to \$150, on line 9. You can deduct the amount on line 9, even if you had no other medical expenses.

Only medicine and drug costs that are more than 1% of Form 1040, line 33, are deductible as medical expenses, subject to the 3% limitation.

Lines 1 through 10 of Schedule A explain how to deduct your medical and dental expenses. When you figure them, you can include medical and dental bills you paid for:

- Yourself.
- Your spouse.
- All dependents you list on your return.
- Any person that you could have listed as a dependent on your return if that person had not received \$1,000 or more of gross income or had not filed a joint return.

Example.—You gave more than half of your mother's support but cannot list her as a dependent because she received \$1,000 of wages during 1982. If part of your support was the payment of her medical bills, you can include that part in your medical expenses.

You should include all amounts you paid during 1982, but do not include amounts repaid to you, or paid to anyone else, by hospital, health or accident insurance, or your employer.

Note: You need only list the medical expenses on line 5c and enter one total.

Examples of Medical and Dental Payments You CAN Deduct

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

- Medicine, drugs, birth control pills, vaccines, and vitamins your doctor told you to take.
- Medical doctors, dentists, eye doctors, gynecologists, chiropractors, osteopaths, podiatrists, psychiatrists, psychologists, physical therapists, acupuncturists, and psychoanalysts (medical care only).
- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths the doctor ordered.
- Nursing help. If you pay someone to do both nursing and housework, you can deduct only the cost of the nursing help.
- Hospital care (including meals and lodging), clinic costs, lab fees.
- Medical treatment at a center for drug addicts or alcoholics.
- Medical aids such as hearing aids (and batteries), false teeth, eyeglasses, contact lenses, braces, orthopedic shoes, crutches, wheelchairs, guide dogs and the cost of maintaining them.
- Ambulance service and other travel costs to get medical care. If you used your own car, you can claim what you spent for gas and oil to go to and from the place you received the care; or you can claim 9 cents a mile. Add parking and tolls to the amount you claim under either method.

Examples of Medical and Dental Payments You CANNOT Deduct

You cannot deduct the following:

- The basic cost of Medicare insurance (Medicare A).
- Note:** If you are 65 or over and not entitled to Social Security benefits, you may deduct premiums you voluntarily paid for Medicare A coverage.
- Life insurance or income protection policies.
- The 1.3% hospital insurance benefits tax withheld from your pay as part of the social security tax or paid as part of social security self-employment tax.
- Nursing care for a healthy baby. (You may qualify for the child care credit; see Form 2441.)
- Illegal operations or drugs.
- Travel your doctor told you to take for rest or change.
- Funeral, burial, or cremation costs.

Publication 502, Medical and Dental Expenses, has a checklist of medical expenses that can be deducted and those that can't. It also explains when you can deduct capital expenditures and special care for handicapped persons.

Lines 11 through 15

Taxes

Taxes You CAN Deduct

• State and local income taxes (line 11)

Include on this line State and local income taxes that were withheld from your salary and any estimated payment made. Also include payments you made in 1982 on a tax for a prior year.

If you received a refund of (or credit for) prior year taxes in 1982, see the instructions for Form 1040, line 10. Do not reduce your itemized deductions by this amount.

• Real estate taxes (line 12)

Include taxes that you paid on property you own that was not used for business. **Publication 530, Tax Information for Homeowners**, and **Publication 588, Condominiums, Cooperative Apartments, and Homeowners Associations**, explain the deductions homeowners can take.

If you pay your real estate taxes as part of your mortgage payments, do not take a deduction for that amount. Deduct the taxes in the year the mortgage company actually paid them to the taxing authority.

• General sales taxes (line 13)

The Optional State Sales Tax Tables show how much you can deduct for your income and family size if you did not keep detailed records. You can add to the sales tax table amount the general sales tax you paid if you bought

—A car, motorcycle, motor home, or truck. (Note: Vermont (before 7/1/82) charged a higher sales tax for these than it did for other items. Figure how much tax you would have paid at the general sales tax rate and add only that amount to the sales tax table amount.)

—A boat, plane, home (including mobile or prefabricated) or materials to build a new home if:

1. The tax rate was the same as the general sales tax rate, and
2. Your sales receipt or contract shows how much tax was imposed on you and paid by you.

If you kept records that show you paid more State sales tax than the tables list, you may deduct the larger amount on line 13a. Separately show the sales tax you paid on any motor vehicle you bought during 1982 on line 13b. Include State or local selective sales or excise taxes if the rates were the same as the general sales tax rates.

The sales tax tables include income through \$40,000. When you figure your income, count all available income. This includes the amount on Form 1040, line 33, plus most amounts you received that are not taxed. The instructions at the top of the first page of the table give steps to help you figure your deduction.

If your available income was more than \$40,000, see the following example.

Example.—Mr. & Mrs. Green live in Virginia and have a family size of 4. Their total available income is \$56,025.

Using the table for Virginia, they find the deduction for their family size (4) with income between \$38,001 and \$40,000. This amount is \$356.

For each \$5,000 or part of \$5,000 in excess of \$40,000, the deduction is increased by the amount on the \$40,001–\$100,000 line for their family size. This amount is \$18. The Greens' available income exceeds \$40,000 by 4 units of \$5,000 (or parts of \$5,000). So, they increase their sales tax deduction by $(\$18 \times 4) = \72 .

Their total sales tax deduction is $(\$356 + \$72) = \$428$. The Greens then compare this figure to the amount their receipts show they actually paid for sales tax. The Greens enter the larger figure on Schedule A, line 13a.

• Personal property taxes and other taxes (line 14)

If you had any deductible tax not listed on Schedule A, lines 11 through 13b (such as personal property or foreign income tax), you need only list the tax on line 14 and enter one total.

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

If you paid tax to a foreign country or U.S. possession, you may want to list it as a credit instead of a deduction. Please see **Publication 514, Foreign Tax Credit for U.S. Citizens and Resident Aliens**.

Taxes You CANNOT Deduct

- Federal income tax.
- Social security tax (FICA).
- Railroad retirement tax (RRTA).
- Federal excise tax on personal property, transportation, telephone, and gasoline.
- Customs duties.
- Federal estate and gift taxes. (However, see Miscellaneous Deductions on page 20.)
- Certain State and local taxes, including:
 - a. Tax on gasoline.
 - b. Car inspection fees.
 - c. Tax on liquor, beer, wine, cigarettes, and tobacco.
 - d. Assessments for sidewalks or other improvements to your property.
 - e. Taxes paid for your business or profession. (Use Schedule C, E, or F of Form 1040 to deduct these business taxes.)
 - f. Tax you paid for someone else.
 - g. License fees (marriage, driver's, dog, hunting, etc.).

Lines 16a through 19

Interest Expense

You should show on Schedule A interest on nonbusiness items only.

In general, a cash basis taxpayer who in 1982 paid interest that includes amounts that apply to any period after 1982 can deduct only the amount that applies for 1982.

Interest Expense You CAN Deduct

Include the interest you paid on—

- Your home mortgage (lines 16a and 16b). Report home mortgage interest paid to financial institutions on line 16a. Report home mortgage interest paid to individuals on line 16b. Also list this person's name and address.
- Bank and other general purpose credit cards. Deduct the finance charge as interest if no part of it was for service charges, membership fees, loan fees, credit investigation fees, etc. (line 17).
- Revolving charge accounts. Deduct any finance charge a retail store added if the charges are based on your monthly unpaid balance (line 17).
- Your personal note for money you borrowed from a bank, a credit union, or another person (line 18).
- Loans on life insurance if you paid the interest in cash (line 18).
- Installment contracts on personal property, such as cars and televisions.
- Taxes you paid late. Show only the interest; do not include any amount that is considered a penalty. If the tax is deductible, show it under Taxes (lines 11 through 15 of this schedule).
- Loans on investment property. Report the nonbusiness part of interest on these loans on line 18. (If your total investment

interest on investment debts created after 1969 is more than \$10,000 (\$5,000 if married filing a separate return), you may have to complete Form 4952, Investment Interest Expense Deduction, to figure your correct deduction. Also see Publication 550, Investment Income and Expenses.)

Note: You need only list the interest expenses on line 18 and enter one total.

Interest Expense You CANNOT Deduct

Do not include the interest you paid for—

- Tax-exempt income. This includes interest on money you borrowed to buy or carry wholly tax-exempt securities. This also includes interest paid to purchase or carry obligations or shares, or to make deposits or other investments, to the extent any interest income received from the investment is excluded on line 6 of Schedule B (Form 1040).
- A loan on life insurance if the interest is added to the loan and you report on the cash basis.
- A debt to buy a single-premium life insurance or endowment contract.
- Any kind of business transaction. Use Schedule C, E, or F to report business interest expenses.

For more information, please get Publication 545, Interest Expense.

Lines 20 through 23

Contributions

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

Examples of these organizations are:

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

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

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

Contributions You CAN Deduct

Contributions can be in cash (including checks and money orders), property, or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described above. If you drive to and from the volunteer work, you can take 9 cents a mile or the actual cost of

gas and oil. Add parking and tolls to the amount you claim under either method. (But don't deduct any amounts that were repaid to you.)

Line 20a. Enter on line 20a all of your cash contributions except those that total \$3,000 or more to any one organization.

Line 20b. Enter on line 20b cash contributions totaling \$3,000 or more to any one organization. Show to whom and how much you gave.

Line 21. If you gave property, state the kind of property you gave and the name of the organization you gave it to. Include the date you gave it, show how you figured its value at the time you gave it, and state whether it was capital gain or ordinary income property. If you determine the value of a gift by an appraisal, attach a signed copy of it for gifts for which you claim a deduction of over \$200. For gifts valued at over \$200, also attach a statement showing:

- a. The address of the organization.
- b. A description of the property.
- c. Any conditions attached to the gift.
- d. How you got the property.
- e. The cost or other basis of the property if:

1. You owned it less than 5 years, or
2. 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.

f. How you figured your deduction if you chose to reduce your deduction for contributions of capital gain property.

g. If the gift was a "qualified conservation contribution" under section 170(h), also include the fair market value of the underlying property before and after the gift, the type of legal interest donated, and describe the conservation purpose furthered by the gift.

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.

Special rules apply if your contributions are more than 20% of Form 1040, line 33. If you gave gifts of property that increased in value, made bargain sales to charity, or gave gifts of the use of property, other rules apply.

For additional information, please get Publication 526, Charitable Contributions.

Contributions You CANNOT Deduct

- Political contributions (but see instructions for Form 1040, line 44).
- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.
- Cost of raffle, bingo, or lottery tickets.
- Cost of tuition.
- The value of your time or services.
- Value of blood given to a blood bank.
- The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).

- Gifts to:
 - a. Individuals.
 - b. Foreign organizations.
 - c. Groups that are run for personal profit.
 - d. Groups whose purpose is to lobby for changes in the laws.
 - e. Civic leagues, social and sports clubs, labor unions, and chambers of commerce.

Lines 24 through 27

Casualty and Theft Losses and Miscellaneous Deductions

Casualty and Theft Losses

Use line 24 to report casualty or theft loss(es) of property that is not trade, business, or income-producing property. Complete Form 4684, Casualties and Thefts, to figure your loss. Enter on line 24 of Schedule A the amount of loss from Form 4684. Attach Form 4684.

Losses You CAN Deduct

You may be able to deduct all or part of each loss caused by theft, vandalism, fire, storm, and car, boat, and other accidents or similar causes.

Losses You CANNOT Deduct

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

Use line 26 of Schedule A to deduct the costs of proving that you had a property loss. (Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.)

For more details, get Publication 547, Tax Information on Disasters, Casualties, and Thefts. It also gives information about Federal disaster area losses.

Miscellaneous Expenses You CAN Deduct

Business Use of Home. You can deduct expenses for business use of part of your home only if you use that part exclusively and continuously in your work and for the convenience of your employer.

See Publication 587, Business Use of Your Home, for detailed information.

Educational Expenses. Generally, you can deduct what you paid for education required by your employer, or by law or regulations, to keep your present salary or job. In general, you can also deduct the cost of maintaining or improving skills you must have in your present position.

You cannot deduct some educational expenses. Among them are expenses for study that helps you meet minimum requirements for your job, or qualifies you to get a new job. Also, do not deduct expenses that were repaid to you.

You must complete and attach Form 2106, Employee Business Expenses, if you deduct educational expenses.

For more details, see Publication 508, Educational Expenses.

Gambling Losses. You can deduct gambling losses, but not more than the gambling winnings you reported on Form 1040, line 21.

Income in Respect of a Decedent. You can deduct the Federal estate tax at-

tributable to income in respect of a decedent that is ordinary income.

Employee Expenses. Examples of the expenses you can deduct (if you were not reimbursed for them) are:

- Union and professional dues (line 25a).
- Safety equipment, small tools, and supplies you needed for your job.
- Uniforms your employer said you must have, and which you cannot usually wear away from work.
- Protective clothing, such as hard hats and safety shoes.
- 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 get a new job in your present trade or profession.

Note: You may not have to complete Form 2106 if you paid or incurred any employee business expenses other than reimbursed expenses, travel and transportation expenses, and outside salesperson's expenses. See Form 2106 for details.

Expenses of Producing Income. You can deduct what you paid to produce or collect taxable income or to manage or protect property held for producing income.

Examples of these expenses are:

- Tax return preparation fees (line 25b).
- Safe deposit box rental.
- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (e.g. trust accounts) fees.

Qualified Adoption Expenses. You may be able to deduct up to \$1,500 of qualified adoption expenses you paid to adopt a child with "special needs."

A child with special needs is one who is eligible to receive payments under the Social Security Act adoption assistance program. The payments can be made if there is a specific factor, such as a medical condition that makes the child difficult to adopt without adoption assistance.

Note: You need only list the miscellaneous expenses on line 26 and enter one total.

Miscellaneous Expenses You CANNOT Deduct

Expenses you cannot deduct include:

- Political contributions (but see instructions for Form 1040, line 44).
- Legal fees for personal matters.
- 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 work.
- Education that you need to meet minimum requirements for your job or that will qualify you for a new occupation.
- Fines and penalties.
- Expenses of producing tax-exempt income.

For more details on miscellaneous expenses, get Publication 529, Miscellaneous Deductions.

Lines 28 through 30

Summary of Itemized Deductions

Line 28

Add lines 10, 15, 19, 23, and 27, and

write the total on line 28. Write the amount for your filing status on line 29.

Line 30

If line 28 is more than line 29, subtract line 29 from line 28 and enter the difference on Schedule A, line 30, and on Form 1040, line 34a.

Note: You will receive the full benefit of your itemized deductions because the zero bracket amount you entered on line 29 has been built into the Tax Table and Tax Rate Schedules for you.

If line 29 is more than line 28, write zero on Schedule A, line 30, and on Form 1040, line 34a, unless you are required to itemize deductions (see page 12 for **You MUST Itemize Deductions**). If you MUST itemize deductions, write TC on line 30 of Schedule A and see the instructions for line 34a on page 12.

Instructions for Schedule B Interest and Dividend Income

Purpose

Use Schedule B to list interest and dividend income. Part III of the schedule asks you to answer questions about foreign accounts and trusts. You must use Schedule B if you are filing Form 1040 and:

- Had more than \$400 in interest,
- Had any interest from an All-Savers Certificate,
- Had more than \$400 in dividends,
- Elect to exclude qualified reinvested dividends from a qualified public utility,
- Had a foreign account, or
- Were a grantor of, or transferor to, a foreign trust.

Please follow the instructions below.

Part I

Interest Income

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

The payer will usually send you a Form 1099-INT or similar statement showing interest you must report. If the total interest is over \$400 or you had any interest from an All-Savers Certificate, fill in Part I. Also, fill in Part III of this schedule if the total interest is over \$400.

Line 1

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

Line 2

Report on line 2 all interest (other than seller-financed mortgage interest and interest from an All-Savers Certificate) that you received or that was credited to your

account so you could withdraw it. List each payer's name and show the amount of income.

Report interest from an All-Savers Certificate on line 4. However, if you redeemed an All-Savers Certificate before its maturity, report any interest received on that certificate on line 2; you cannot exclude this interest.

Line 3

Add up all the interest and show it on this line except as noted below in **Nominee and Accrued Interest**.

Nominee and Accrued Interest. When you buy bonds between interest payment dates and pay accrued interest to the seller, this interest is taxable to the seller.

Include on line 2 interest you received as a nominee (interest received in your name for someone else) or as a purchaser of a bond with accrued interest. Several lines above line 3, put a subtotal of all interest income listed on line 2. Below this subtotal, write "Nominee Distribution" or "Accrued Interest" as appropriate and show the interest amounts you paid to others. Subtract these amounts from the subtotal and write the result on line 3.

Note: If you received interest as a nominee for the actual owner, give that person Form 1087-INT.

Line 4

Report interest from All-Savers Certificates (ASCs) on this line. List each payer's name and show the amount of income.

Early Redemptions. If you redeem any part of an ASC before its maturity, you may NOT exclude any interest received on that ASC. Instead, you must report the interest from that ASC on line 2.

If you redeem an ASC early, you must include in interest income in the year you redeem it any interest you received from that ASC and excluded in an earlier year.

If you use all or part of the certificate as collateral or security for a loan, you are treated as having redeemed the ASC.

Example.—You are single. In 1981 you bought an ASC and received \$250 of interest from it, which you excluded in 1981. In 1982 you redeemed this ASC before its maturity. Since you redeemed it early, you must include on line 2 of Schedule B the \$250 you excluded in 1981, as well as any additional interest you received from this ASC in 1982. However, if you buy another ASC, you can exclude up to \$1,000 of interest from the new ASC.

Line 5

Add up all the ASC interest on line 4 and write it on this line. Also write this amount on line A of the ASC exclusion worksheet below.

Line 6

Exclusion of Interest from All-Savers Certificates. You can exclude up to \$1,000 of ASC interest (\$2,000 on a joint return, regardless of which spouse received the income). This exclusion applies to the total of all interest received from all ASCs.

Note: On a joint return each spouse is treated as having claimed half the amount of the exclusion.

You must reduce the maximum amount of your exclusion by the amount of any ASC interest you excluded in an earlier year.

Use the worksheet below to figure your ASC exclusion.

- | | |
|---|-------|
| A. Write the amount from line 5, Schedule B | _____ |
| B. Write \$1,000 (\$2,000 if a joint return) | _____ |
| C. Amount of ASC interest excluded in 1981 (from line 1e of 1981 Schedule B (Form 1040) or on back of 1981 Form 1040A) | _____ |
| D. Subtract line C from line B. This is your remaining ASC exclusion | _____ |
| E. Compare amounts on line A and line D and write the smaller amount here and on Schedule B, line 6. This is your ASC exclusion for 1982 | _____ |

Caution: If you bought an ASC in 1981 and redeemed it in 1982 before its maturity, do NOT include on line C of the worksheet any interest received in 1981 from that ASC. See the instructions for line 4 under **Early redemptions**.

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

Line 7

Subtract line 6 from line 5.

Line 8

Add lines 3 and 7. Write the total on line 8 and also on Form 1040, line 8.

Part II

Dividend Income

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

The payer will usually send you a Form 1099-DIV or similar statement showing dividends you must report. If the total dividends are over \$400, or you elect to exclude qualified reinvested dividends from a qualified public utility, fill in Part II. If the total dividends are over \$400, also fill in Part III of this schedule.

Line 9

Report all of your dividend income on this line. Include cash and the value of stock, property, or merchandise you received as a dividend. If you owned shares in a mutual fund, **Publication 564**, Mutual Fund Distributions, may be helpful.

List the payer's name and show the amount of income. If the securities are held in a brokerage account, list the name of the brokerage firm as the payer. Be sure to include capital gain and nontaxable distributions on this line. They will be deducted on lines 11 and 12.

Nominees. List on line 9 all dividends you received, including dividends you received as a nominee, even if you later distributed some or all of this income to

others. Several lines above line 10, put a subtotal of all dividends listed on line 9. Below this subtotal write "Nominee Distribution" and show the amounts distributed. Subtract these distributions from the subtotal and write the result on line 10.

Note: If you received dividends as a nominee for the actual owner, give that person Form 1087-DIV.

Line 10

Add the amounts you listed on line 9 except as noted above in **Nominees**. Write the total on this line.

Line 11

If you listed any capital gain distributions on line 9, add those amounts. Write the total on this line.

Line 12

Write the total of your nontaxable distributions on this line.

Line 13

Dividend Reinvestment in Stock of Qualified Public Utilities

If you choose under a dividend reinvestment plan of a qualified public utility, to receive dividends in "qualified common stock," rather than in cash or other property, you may elect to exclude up to \$750 (\$1,500 on a joint return) of stock dividends distributed to you in 1982. This exclusion applies only to individuals. However, it does not apply to nonresident aliens, or persons owning more than 5% of the voting power or value of stock in the distributing corporation.

Caution: If you elect to exclude qualified reinvested dividends from a qualified public utility, you may NOT revoke the election without the consent of IRS.

Write on line 13 the amount you are excluding in 1982. On line 9, write "DR" next to the payer's name to identify the dividend you are choosing to exclude from income.

Note: If you exclude the value of stock received in a qualified public utility reinvestment plan, your basis in the stock is zero. For more details, see **Publication 550**.

Line 14

Add lines 11, 12, and 13. Write the total on this line.

Line 15

Subtract line 14 from line 10. Write the total on line 15 and on Form 1040, line 9a. (Be sure to take your exclusion on line 9b.)

Part III

Foreign Accounts and Foreign Trusts

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

Line 16. Check the **Yes** box if either 1 or 2 below applies to you.

1. At any time during the year you had an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country. Exception: Check **No** if any of the following apply to you.

- The combined value of the accounts was \$1,000 or less during the whole year.
- The accounts were with a U.S. military banking facility operated by a U.S. financial institution.
- You are an officer or employee of a commercial bank that is supervised by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation; the account is in your employer's name; AND you do not have a personal financial interest in the account.
- You are an officer or employee of a domestic corporation with securities listed on national securities exchanges or with assets of more than \$1 million and 500 or more shareholders of record; the account is in your employer's name; you do not have a personal financial interest in the account; and the corporation's chief financial officer has given you written notice that the corporation has filed a current report that includes the account.

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

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

If you checked **Yes** on line 16, file Form 90-22.1 by June 30, 1983, with the Department of the Treasury at the address shown on the form. Form 90-22.1 is not a tax return, so do not attach it to Form 1040 or file it with the IRS. But be sure to file your Form 1040 with the IRS.

You can get Form 90-22.1 from many IRS offices or by writing to the IRS forms distribution center for your State, as shown on the inside back cover.

Line 17. Check the **Yes** box if you were a grantor of, or a transferor to, a foreign trust that existed during the tax year.

Instructions for Schedule D Capital Gains and Losses

Purpose

Use Schedule D (Form 1040) to report the sale or exchange of a capital asset. See the definition of "capital asset" below.

In the following cases you have to use Form 4797, Supplemental Schedule of Gains and Losses, instead of Schedule D:

- The sale, exchange, or involuntary conversion (other than casualty or theft) of business property, certain depreciable and amortizable property, certain oil, gas

and geothermal property, and section 126 property.

- The involuntary conversion (other than casualty or theft) of certain capital assets.
- The disposition of other noncapital assets not mentioned above.

If property is involuntarily converted because of a casualty or theft, use Form 4684, Casualties and Thefts.

Two publications you should find useful are Publication 544, Sales and Other Dispositions of Assets, and Publication 550, Investment Income and Expenses.

Capital Asset

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

A transfer of patent rights is generally considered a sale or exchange of a capital asset held for more than one year.

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

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

- Stock in trade or other property included in inventory or held for sale to customers.
- Accounts or notes receivable you received for services in the ordinary course of your trade or business or from the sale of any property described in (a) or for services you performed as an employee.
- Depreciable property used in your trade or business even if it was fully depreciated.
- Real property (real estate) used in your trade or business.
- A copyright, literary, musical or artistic composition, letter, memorandum, or similar property

- created by your personal efforts, or
- prepared or produced for you (in the case of a letter, memorandum, or similar property), or
- that you received from a taxpayer mentioned in 1 or 2, in a way (such as by gift) that entitled you to the basis of the previous owner.

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

g. Certain government obligations acquired before June 24, 1981, issued at a discount, payable without interest, and maturing at a fixed date not more than one year from the date of issue.

Short-Term or Long-Term

When you list your capital gains and losses, separate them according to how long you held or owned the property. The holding period for determining long-term capital gains and losses is more than one year.

When you figure the length of the period you held property, begin counting on the day after you got the property and include the day you disposed of it.

Capital Losses

The limit on capital losses that can be applied against other income after offset-

ting capital gains is \$3,000. If you are married and filing separately, the limit is \$1,500.

Unused capital losses are carried over to later years until fully used. If any of your capital losses are from before 1970, use Form 4798, Carryover of Pre-1970 Capital Losses, Part II to figure your capital loss carryovers. If all of your capital losses are from after 1969, use Schedule D, Part V to figure your capital loss carryovers. You will need certain lines from those parts when you prepare your 1983 tax return. However, you need not fill in those parts on the form you mail to Internal Revenue Service.

Losses That Are Not Deductible

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

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

If you sell or otherwise dispose of (1) an asset used in an activity to which the "at risk" rules apply or (2) any part of your interest in an activity to which the "at risk" rules apply (see I.R. Code section 465), combine the gain or loss on the disposition with the profit or loss from the activity. If you have a net loss, you may be subject to the "at risk" provisions.

Items for Special Treatment and Special Cases

The following items may require special treatment.

- Transactions by a securities dealer.
- Wash sales of stock or securities.
- Bonds and other evidence of indebtedness if an original issue discount is a factor.
- Gain from sale or exchange of certain short-term government obligations acquired after 6/23/81.
- Certain real estate subdivided for sale which may be considered a capital asset.
- Distributions received from an employee pension, profit-sharing, or stock bonus plan. (See Form 4972, Special 10-Year Averaging Method, or Form 5544, Multiple Recipient Special 10-Year Averaging Method. Also, see Publication 575, Pension and Annuity Income.)
- Gain on the sale of depreciable property between husband and wife or between shareholder and a controlled corporation treated as ordinary gain.

- Gain on disposition of stock in a Domestic International Sales Corporation.
- Gain or loss on options to buy or sell, including closing transactions.
- Transfer of property to a foreign corporation as paid-in surplus or as a contribution to capital, or to a foreign trust or partnership.
- Transfer of property to a partnership which would be treated as an investment company if the partnership were incorporated.

For rules on nontaxable exchanges, gifts of property, and inherited property, please see **Publication 544, Sales and Other Dispositions of Assets.**

Transfer of Appreciated Property to a Political Organization

If you transfer property to a political organization when the fair market value of the property is more than your adjusted basis, treat the transaction as a property sale on the transfer date. Report the fair market value of the property at the time of the transfer as the sales price. Ordinary income or capital gains provisions apply as if a sale took place.

Exchange of Like-Kind Property

Report the exchange of "like-kind" property on Schedule D or on Form 4797, whichever applies. You must report it even though no gain or loss is recognized when you exchange business or investment property for property of "like kind." (This does not include stock in trade or other property held primarily for sale. It also does not include stocks, bonds, notes, choses in action, certificates of trust or beneficial interest, or other securities or evidences of indebtedness or interest.)

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

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

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

Small Business Stock

Subject to limitations, you may deduct the loss on the sale, exchange, or worthlessness of Small Business (section 1244) stock as an ordinary loss on Form 4797. However, gains are reported as capital gains on Schedule D (Form 1040).

Disposition of Partnership Interest

A sale or other disposition of an interest in a partnership may result in ordinary income. Please see **Publication 541, Tax Information on Partnerships, and Publication 544, Sales and Other Dispositions of Assets.**

Long-term Capital Gains from Regulated Investment Companies

Include in income as a long-term capital gain the amount(s) shown on Form 2439 that represents your share of the undis-

tributed capital gains of a regulated investment company. Enter the tax paid by the company as shown on Form 2439 on Form 1040, line 66. Add to the basis of your stock, the excess of the amount included in income over the credit.

Sale of Residence

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

Installment Sales

If you sold property at a gain, and are to receive any payment in a tax year after the year of sale, you must use the installment method and Form 6252, Computation of Installment Sale Income, unless you elect not to. Also use Form 6252, if you received a payment in 1982 from a sale made in an earlier year on the installment method.

If you want to elect out of the installment method, you must do the following on a timely filed return (including extensions):

- (1) Report the full amount of the sale on Schedule D.
- (2) If you received a note or other obligation and are reporting it at less than face value (including all contingent payment obligations), complete Part IV. If more than one, enter the amounts separately in the spaces in Part IV.

Investment Interest Expense Deduction Adjustment

If you have an entry on Form 4952, line 20 and Schedule D, line 20 (or Form 4798, line 8), part or all of Form 4952, line 20 may be treated as ordinary income.

Determine the ordinary income for Schedule D or Form 4798 as follows:

Step 1—In a separate computation reduce Form 4952, line 20 to the amount by which line 15 of that form is more than the sum of lines 16 through 19 of that form.

Step 2—Ordinary income will be the smaller of step 1 or Schedule D, line 20 (or Form 4798, line 8).

Enter the ordinary income in the margin to the right of Schedule D, line 20 (or Form 4798, Part I, line 8). Identify by writing next to it: "From Form 4952." Subtract the ordinary income from the gain on Schedule D, line 20 (or Form 4798, Part I, line 8). In addition, enter the ordinary gain on Form 4797, Part II, line 9. If you do not use Form 4797 for other transactions, enter it on Form 1040, line 15, and identify it in the margin as "From Form 4952."

Regulated Futures Contracts and Straddle Positions

Generally, regulated futures contracts open at the end of the year, or terminated during the year are treated as 60% long-term and 40% short-term regardless of how long the contracts were held. In addition, losses from straddle positions are not allowed if the wash sale rules apply or are deferred to the extent of any unrealized gains on open offsetting positions. Use Form 6781, Gains and Losses From Commodity Futures Contracts and Straddle Positions, to report gains and losses from regulated futures contracts and straddles.

Specific Instructions

Note: If you attach your own schedule to show detail of gain or (loss), enter on Schedule D, lines 4 and 11, the total gain and the total loss. Do not combine the total gain with the total loss.

Column d

Sales Price Less Expense of Sale

Enter in this column the selling price of the property sold. Reduce this by any expense of sale such as broker's fee, commission, etc.

Column e

Cost or Other Basis, as Adjusted

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

When selling stock, adjust your basis by subtracting all the nontaxable distributions you received before the sale. This includes nontaxable dividends from utility company stock and mutual funds. Also adjust your basis for any stock splits.

The basis of property acquired by gifts made before 1977, generally is the basis of the property in the hands of the donor plus any gift taxes paid on the gift. For gifts made after 1976, only the gift tax on the appreciation in value to the time of the gift is added to 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.

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

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

Line 6

Short-Term Capital Loss Carryover From Years Beginning After 1969

Enter the amount from your 1981 Schedule D (Form 1040), line 41 or 1981 Form 4798, Part II, line 20.

Line 17

Long-Term Capital Loss Carryover From Years Beginning After 1969

Enter the amount from your 1981 Schedule D (Form 1040), line 47 or 1981 Form 4798, Part II, line 26.

Note: If you used Form 4798 in 1981 and had an entry in Part II, lines 17 or 23, use Form 4798 in 1982 instead of completing Schedule D, Parts III or V.

Line 24 (iii)

(or Form 4798, Part I, line 30c)

Taxable Income, as Adjusted

Figure your taxable income, as adjusted, with a separate calculation. Do this in the following way:

- Figure the amount from Form 1040, line 35, without regard to gains and losses from sales or exchanges of capital assets.
- Subtract from the amount in a. one of the following:
 - \$2,300 if you are filing as single or head of household.
 - \$3,400 if you are married and filing jointly or if you are a qualifying widow(er) with a dependent child.
 - \$1,700 if you are married and filing separately.

Instructions for Schedule E Supplemental Income

Purpose

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

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

"At Risk" Rules (Parts I and II)

Generally, the special "at risk" rules of section 465 of the Internal Revenue Code apply to all activities except real estate (other than mineral property). The "at risk" rules may apply to a member of a partnership or joint venture; shareholder in a small business corporation; beneficiary of an estate or trust; or lessor of certain property. The "at risk" rules only apply if you have a loss from an activity carried on as a trade or business or for the production of income. Generally, the amount you have "at risk" limits the loss you can deduct for any tax year.

You are generally considered "at risk" for an activity for the cash and the adjusted basis of other property you contributed to the activity, and any amounts borrowed for use in the activity for which you are personally liable.

Your "at risk" amount does not include the proceeds from your share of any nonrecourse loan used to finance the activity or the acquisition of property used in the activity. However, you are "at risk" to the extent of the net fair market value of your own property (not used in the activity) that secures borrowed amounts for which you are not liable. Generally, for any "at risk" activity described in section 465(c), you are not "at risk" for any amount that is protected against loss by a guarantee, stop-loss agreement, or similar arrangement. In addition, for the activities described in section 465(c)(1), you are not "at risk" for borrowed amounts from a

person who is related to you under section 267(b).

If you have amounts not "at risk" for an activity and you share in the loss for that activity, you must figure the allowable loss to report on Schedule E. Partners, beneficiaries, and shareholders should get a separate statement of income, expenses, deductions, and credits for each activity.

If you sell or otherwise dispose of (1) an asset used in an activity to which the "at risk" rules apply or (2) any part of your interest in an activity to which the "at risk" rules apply (see I.R. Code section 465), combine the gain or loss on the sale or disposition with the profit or loss from the activity to determine your net profit or loss from the activity. If you have a net loss, it may be limited because of the "at risk" rules.

● **Part I**—Enter in the appropriate column(s) on line 20 the loss from the activity or the amount "at risk" for the activity, whichever is smaller. If your "at risk" amount is smaller than zero, enter zero.

● **Part II**—Enter in column (c) the loss from the activity or the amount "at risk" for the activity, whichever is smaller. If your "at risk" amount is smaller than zero, enter zero.

Any loss from an activity not allowed for the tax year is treated as a deduction allocable to the activity in the next tax year.

Part I

Rent and Royalty Income or Loss

Generally, you should use this part to report rent and royalty income. Report rents from property you own or control, including room and other space rentals. However, if you provided services to the renter, or if your business was selling real estate, report the income on Schedule C. For more information on rental income and expenses, see Publication 527, Rental Property.

Report royalties from oil, gas, or mineral properties, copyrights, and patents. If you hold an operating oil, gas, or mineral interest, report gross income and expenses on Schedule C.

If you use Part I to report rent and royalty income, enter your rent and royalty expenses for each property in the appropriate columns on lines 4 through 16.

Your share of any loss from an activity except real estate (other than mineral property) for the tax year may be allowed only for the total amount that you are "at risk" for the activity at the close of the tax year.

Rent

If you were not in the real estate sales business and you received rent from property you own or control, report it on line 3a. If you received services or property, instead of money, as rent, report its fair market value.

You can deduct an amount for the depreciation of rental property. You can also deduct all normal expenses, such as taxes, interest, repairs, insurance, maintenance, and agent's commissions. If your total interest on investment debts created after 1969, including investment interest from all other sources is more than \$10,000 (\$5,000 if married filing separately), see Form 4952, Investment Interest Expense Deduction.

Do not deduct the value of your own labor. Do not deduct capital investments or improvements; instead add these to the basis of the property for depreciation. Example: A landlord can deduct the cost of minor repairs, but not the cost of major improvements, such as a new roof.

Did You Rent Out Part of Your Home?

If you rent out only part of your home or other property, deduct the part of your expenses that apply to the rented part. If you do not know the exact amount of these expenses, figure out what share of the total expenses applied to the rented part. Example: You rent out one-quarter of your home and live in the other part. Deduct depreciation on only one-quarter of the home. Deduct any other expenses that apply to the rented part.

Did You Rent Out a Vacation Home or Other Recreational Unit?

Generally, you may deduct only those expenses which apply to the time that the vacation home or other recreational unit is rented out. Also, if you or your family used the property as a residence, certain expenses cannot be more than the gross rental income. Only interest, taxes, and casualty losses do not have to be limited. Generally, a vacation home or other recreational unit is used as a residence if you or your family used it for personal purposes for more than the greater of:

- 14 days, or
- 10% of the number of days during 1982 that the property was actually rented out at a fair rental.

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

- for personal purposes by you, your family, or any other person who has an interest in it, or
- by anyone under an arrangement that lets you use some other dwelling unit, or
- by anyone at less than fair rental.

Rental of a vacation home or other recreational unit to a family member will not be treated as personal use of the unit by you if the unit is rented at fair rental to your relative as that person's residence.

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

Your family includes only your brothers, sisters, half brothers, half sisters, spouse, ancestors (parents, grandparents, etc.), and lineal descendants (children, grandchildren, etc.).

A vacation home or other recreational unit is a *dwelling unit*, such as a house, apartment, condominium, mobile home, boat, or similar property. For information on how to figure deductible expenses, see Publication 527.

Royalties

Report on line 3b royalties from oil, gas, or mineral properties; copyrights; and patents, not including operating oil, gas, or mineral interests. Under certain circumstances, you can treat amounts received as "royalties" for transfer of a patent or amounts received on the disposal

of coal and iron ore as the sale of a capital asset. For more information, please get **Publication 544, Sales and Other Dispositions of Assets**.

If State or local taxes were withheld from oil or gas payments you received, enter on line 3b the gross amount of royalty, and include the taxes withheld by the producer on line 13.

DO NOT include on line 13 the amount of windfall profit taxes actually withheld in 1982. Instead, enter that amount in Part III, line 35.

Rental Income From Farm Production or Crop Shares

Report farm rental income and expenses on **Form 4835, Farm Rental Income and Expenses and Summary of Gross Income From Farming or Fishing**, if you meet these two tests:

- You received rental income that was based on crops or livestock produced by the tenant.
- You did not manage or operate the farm to any great extent.

Note: For estimated tax penalty rules income received from your share of crops and rental based on farm production is considered income from farming.

If you use **Form 4835**, enter on line 24 of Schedule E the net farm rental profit or (loss) from **Form 4835**, line 50.

Certified Historic Structures

If you own a certified historic structure and pay or incur certain capital expenditures to rehabilitate it, special rules apply. See **Publication 535, Business Expenses**, for more information.

Part II

Income or Losses from Partnerships, Estates or Trusts, or Small Business Corporations

Partnerships

If you are a member of a partnership or joint venture, include in this part your share of the partnership income (whether you received it or not) or net loss for the partnership tax year that ends during the year covered by your return.

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 18b, on Schedule SE, Part I. For more details, get **Publication 541, Tax Information on Partnerships**.

Your share of any loss from an activity for the tax year may be allowed only for the total amount that you are "at risk" for the activity at the close of the tax year.

For more information for this part, please see copy C of Schedule K-1 (**Form 1065**), Partner's Share of Income, Credits, Deductions, etc.

Estates and Trusts

If you are a beneficiary of an estate or trust, report your taxable part of the income (whether you received it or not) as follows:

- Interest income from All-Savers Certificates—see Schedule K-1 (**Form 1041**) instructions for details.

- Dividends qualifying for the dividend exclusion—enter on Schedule B (**Form 1040**), Part II, line 9. If total dividends received from all sources are \$400 or less, enter the total on **Form 1040**, line 9a. Do not list them on Schedule B.

- Short-term capital gains—Schedule D.
- Long-term capital gains—Schedule D.
- Other taxable income less deductions—Schedule E, Part II.

For more information, contact the fiduciary or see Schedule K-1 (**Form 1041**).

Include your share of tax preference items on **Form 4625, Computation of Minimum Tax—Individuals**.

Your share of any loss from an activity for the tax year may be allowed only for the total amount that you are "at risk" for the activity at the close of the tax year.

A U.S. person who transferred property to a foreign trust may have to include the income resulting from it in income if, during 1982, the trust had a U.S. beneficiary. For more information, see **Form 3520-A, Annual Return of Foreign Trust With U.S. Beneficiaries**.

Small Business Corporations

If you are a shareholder in a small business corporation that elected to have its current taxable income taxed to its stockholders, you should report:

- Actual dividend distributions (whether taxable as ordinary income or long-term capital gain) as dividend income in Schedule B (**Form 1040**), Part II, line 9.

Subtract from the actual dividend distribution the nondividend (distribution of previously taxed income) part on Schedule B, Part II, line 12, and the long-term capital gain on Schedule B, Part II, line 11. Also include the long-term capital gain part on Schedule D.

- Constructive dividends reported to you on Schedule K-1 (**Form 1120S**) as ordinary income or (loss), in Schedule E, Part II.
- Constructive dividends reported to you on Schedule K-1 (**Form 1120S**) taxable as long-term capital gain on Schedule D.

If you are a shareholder claiming a deduction for a net operating loss, attach to your return a computation of the adjusted basis of your stock in the corporation and the adjusted basis of any debt the corporation owes you. Your net operating loss deduction is limited to that amount.

Your share of any loss from an activity for the tax year may be allowed only for the total amount that you are "at risk" for the activity at the close of the tax year.

Part III

Specific Instructions

Caution: If you are a member of a partnership, the amounts entered on lines 34 and 35 may affect your net earnings from self-employment on Schedule SE.

Line 34

In certain situations, you must report as income on line 34 the amount of any

credit or refund of overpaid windfall profit tax you received in 1982 for tax year 1981, based on overwithholding or the net income limitation.

In general, the amount of credit or refund you received is income to the extent you deducted windfall profit tax withheld in 1981 on Schedule E, and received a tax benefit for the deduction on your 1981 tax return.

DO NOT include as income the amount of any royalty owner's credit claimed for tax year 1981.

Line 35

If you are a cash method taxpayer, deduct on line 35 the amount of windfall profit tax actually withheld in 1982.

Part IV

Line 38

Enter on this line your share of gross farming and fishing income from partnerships, estates and trusts, and as shown on **Form 4835**.

You will not be charged a penalty for underpayment of estimated tax if you meet the following tests:

- your gross farming or fishing income for 1981 or 1982 is at least two-thirds of your gross income, and
- you file your 1982 tax return and pay the tax due by March 1, 1983.

Part V

Depreciation

You can deduct an amount each year for assets you buy to use in your business or hold to produce investment income. The allowance does not apply to land and personal assets.

Generally, you MUST use the Accelerated Cost Recovery System (ACRS) for all assets you place in service after December 31, 1980.

You cannot use ACRS for:

- assets placed in service before January 1, 1981,
- certain public utility property,
- certain property acquired from related persons, and
- property acquired in certain non-recognition transactions.

Use Part V to figure your depreciation only if you did not place any assets in service after December 31, 1980. For more space, use **Form 4562, Depreciation and Amortization**.

However, if you placed any assets in service after December 31, 1980, use **Form 4562** to figure your deduction for ALL assets. Enter in Part I, line 18, the amount from **Form 4562**, Part I.

Please get **Publication 534, Depreciation**, for more information.

Instructions for Schedule C Profit or (Loss) From Business or Profession

Purpose

If you operated a business or practiced a profession, complete Schedule C. If you had more than one business, or if you and your spouse had separate businesses, you must complete a Schedule C for each business. Farmers should use Schedule F.

For expenses that are part business and part personal, deduct only the business part. For example, if only half of your car usage was for business, deduct only half of the cost of operating the car.

Deduct interest, taxes, and casualty losses not related to your business as itemized deductions on Schedule A.

Report sales, exchanges, and involuntary conversions (other than casualty or theft) of trade or business property on Form 4797, Supplemental Schedule of Gains and Losses.

Use Form 4684, Casualties and Thefts, to report a casualty or theft involving trade or business, or income-producing property.

You must pay social security self-employment tax on income from any trade or business unless you are specifically exempted. Please see Schedule SE.

If you need more information about business income and expenses, get Publication 334, Tax Guide for Small Business.

Information Returns

You may have to file information returns for wages paid to employees, certain payments of fees and other non-employee compensation, interest, rents, royalties, annuities, and pensions. For more information, see instructions for Form W-3, Transmittal of Income and Tax Statements, and 1096, Annual Summary and Transmittal of U.S. Information Returns.

Item A

Main Business Activity and Product

Report the business activity that accounted for the most income included on Schedule C, Part I, line 1a. Give the general field as well as the product or service. For example, "wholesale—groceries" or "retail—hardware."

Item C

Employer Identification Number

You don't need an employer identification number unless you had a Keogh (H.R. 10) plan or were required to file an employment, excise, or alcohol, tobacco, and firearms tax return.

Item D

Business Address

Use your home address only if you actually conducted the business from your home. You should show a street address instead of a box number.

Item E

Accounting Method

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, accrual method, or in some cases, the completed contract or percentage-of-completion method. The method used must clearly reflect your income.

To change your accounting method (including the treatment of any item such as inventories or bad debts), you must usually first get the permission of the Commissioner of Internal Revenue. File Form 3115 within the first 180 days of the tax year in which you want to make the change.

If you use the cash method, show all items of taxable income actually or constructively received during the year (in cash, property, or services). Also show amounts actually paid during the year for deductible expenses. Income is constructively received when it is credited to your account or set aside for you to use.

If you use the accrual method, report income when you earn it and deduct expenses when you incur them, even if you do not pay them during the tax year.

Item F

Valuation Methods

Your inventories can be valued at:

- cost,
- cost or market value, whichever is lower, or
- any other method approved by the Commissioner of Internal Revenue.

Item H

Business Use of Your Home

Within certain limits, you may deduct business expenses that apply to a part of your home only if that part is exclusively used on a regular basis:

- as your principal place of business for any of your trades or businesses, or
- as a place of business used by your patients, clients, or customers to meet or deal with you in the normal course of your trade or business, or
- in connection with your trade or business if it is a separate structure that is not attached to your home.

You may also deduct expenses that apply to space within your home if it is the only fixed location of your trade or business. The space must be used on a regular basis to store inventory held for use in your trade or business of selling products at retail or wholesale.

If you use space in your home on a regular basis in your trade or business of providing day care service, you may be able to deduct the business expenses even though you also use the same space for nonbusiness purposes.

Please get Publication 587, Business Use of Your Home, for more information.

Part I

Income (Lines 1 through 5)

Line 1a Gross Receipts or Sales

Enter gross receipts or sales from your business.

Installment Sales. If you use the installment method of reporting sales in-

come, please attach a schedule showing separately for 1982 and the three preceding years: gross sales; cost of goods sold; gross profit; percentage of gross profits to gross sales; amounts collected; and gross profits on amounts collected.

Line 1b Returns and Allowances

You should enter on line 1b such items as returned sales, rebates, and allowances from the sales price.

Line 2

Cost of Goods Sold and/or Operations

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. Enter the amount from Schedule C-1, line 8.

Cost of Operations (Inventories Not an Income-Producing Factor). If the amount on line 2 includes the cost of operations, complete the appropriate lines on Schedule C-1.

Line 4a

Income from Overpaid Windfall Profit Tax

In certain situations, you must report as income on line 4a the amount of any credit or refund of overpaid windfall profit tax you received in 1982 for tax year 1981, based on overwithholding or the net income limitation.

In general, the amount of credit or refund you received is income to the extent you deducted windfall profit tax withheld in 1981 on Schedule C, and received a tax benefit for the deduction on your 1981 tax return.

Line 4b Other Income

Include finance reserve income, scrap sales, amounts recovered from bad debts, interest, and other kinds of miscellaneous income from the business or profession.

Part II

Deductions (Lines 6 through 30)

Line 7

Bad Debts from Sales or Services

Caution: Cash method taxpayers are not entitled to a bad debt deduction unless the amount was previously included in income.

Include debts and partial debts arising from sales or services that were included in income and are definitely known to be worthless. Instead of this, you may deduct a reasonable amount that was added during the tax year to a bad debt reserve.

If you later collect a debt that you deducted as a bad debt, include it as income in the year you collect it unless you use the bad debt reserve method. For more information, please get Publication 548, Deduction for Bad Debts.

Line 9 Car and Truck Expenses

You can deduct the actual cost of running your car or truck, or take the fixed mileage rate. You must use actual costs if you use more than one vehicle in your business. If you deduct actual cost, show depreciation on line 12.

The fixed rate is figured at 20 cents a mile up to 15,000 miles, and 11 cents for each mile after that. Add to this amount your parking fees and tolls.

For cars and trucks that have been fully depreciated, the rate is 11 cents a mile.

If you use the fixed rate, the vehicle is considered to have a useful life of 60,000 miles of business use at the maximum fixed mileage rate.

Note: If you place a car or truck in service after December 31, 1980, and take the fixed mileage rate, you are treated as having elected to exclude this vehicle from ACRS.

For more details, get **Publication 463**, Travel, Entertainment, and Gift Expenses.

Note: If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a Federal highway use tax on these vehicles. Get **Form 2290**, Federal Use Tax Return on Highway Motor Vehicles, to see whether you are subject to the tax.

Line 11 Depletion

Enter your total deduction for depletion on this line. If you claim a deduction for timber depletion, please attach **Form T**.

Line 12 Depreciation, Including Section 179 Expense Deduction

You can deduct an amount each year for assets you buy to use in your business or hold to produce investment income. The allowance does not apply to stock in trade, inventories, land, and personal assets.

Generally, you MUST use the Accelerated Cost Recovery System (ACRS) for all assets you place in service after December 31, 1980.

You cannot use ACRS for:

- assets placed in service before January 1, 1981,
- certain public utility property,
- certain property acquired from related persons, and
- property acquired in certain nonrecognition transactions.

Figure your depreciation deduction on **Form 4562**, Depreciation and Amortization. Enter on line 12 of Schedule C the amount from **Form 4562**, Part I.

Election to Expense Certain Recovery Property (section 179). For tax years beginning in 1982, you may choose to expense part of the cost of recovery property you bought in 1982 for use in your business. You may deduct up to \$5,000 (\$2,500 if married filing separately) of the cost of recovery property that would otherwise qualify for investment credit. However, you may not depreciate or amortize the same costs, or take an investment credit for the costs. Only property used in your trade or business qualifies for the deduction.

Use **Form 4562**, to figure your deduction. Include on line 12 of Schedule C the amount from **Form 4562**, Part I.

Please get **Publication 534**, Depreciation, for more information.

Line 14

Employee Benefit Programs

Enter the amount of your contributions that are not an incidental part of a pension

or profit-sharing plan included on line 21. Also include here contributions to insurance, health, and welfare programs.

Line 17

Interest on Business Indebtedness

If you paid interest for years after 1982, deduct only the part you paid for 1982.

Don't take a deduction on Schedule C for interest you paid or accrued on debts from buying or carrying investment property. Deduct this interest on Schedule A. For more information, see **Publication 550**, Investment Income and Expense.

Line 21

Pension and Profit-Sharing Plans

You should enter the amount you claim as a deduction for contributions to a pension, profit-sharing, or annuity plan, or plans, for the benefit of your employees. If the plan includes you as a self-employed person, you should enter contributions made as an employer on your behalf (but not voluntary contributions you made as an employee) on **Form 1040**, line 26, instead of on Schedule C, line 21.

Generally, you are required to file one of the following forms if you maintain a pension, profit-sharing, or other funded deferred compensation plan (other than a Simplified Employee Pension) whether or not it qualified under the Internal Revenue Code and whether or not you claimed a deduction for the current tax year.

Form 5500.—Complete this form for each plan with 100 or more participants.

Form 5500-C, 5500-K, or 5500-R.—Complete the applicable form for each plan with less than 100 participants.

The Employee Retirement Income Security Act of 1974 imposes a penalty for failure to timely file these forms.

Note: Only one return is required to be filed for the plan of a group of businesses under common control or a multiemployer-collectively-bargained plan. Individual participating employers or contributing employers are not required to file separately.

If you need help, get **Publication 560**, Tax Information on Self-Employed Retirement Plans.

Line 23 Repairs

You can deduct the cost of repairs including labor, supplies, and other items that do not add to the value or increase the life of the property. Do not deduct the value of your own labor. And do not deduct amounts you spent to restore or replace property. They are chargeable to capital accounts or to depreciation reserve, depending on how depreciation is charged on your books. However, see the instructions for line 12 of Schedule C.

You can elect to treat as a current expense up to \$25,000 spent to remove architectural and transportation barriers to the handicapped and elderly. For more information, get **Publication 535**.

Line 26 Travel and Entertainment

You can deduct all ordinary and necessary travel and entertainment expenses paid or incurred in your trade or business.

However, you cannot deduct any expense paid or incurred for a facility (such as a yacht or hunting lodge) that is used for any activity that is usually considered entertainment, amusement, or recreation. Note: You may be able to deduct the

expense if the amount is treated as compensation and reported on **Form W-2** for an employee or **Form 1099-NEC** for an independent contractor (See **Publication 463** for more details.)

Foreign Conventions. Generally, you cannot deduct expenses for attending a foreign convention unless it is directly related to your trade or business and it is "as reasonable" for the meeting to be held outside the North American area or Jamaica as within it. (For the definition of "North American area," see **Publication 463**.) These rules apply to employers as well as to employees.

Factors to consider in determining reasonableness include:

- a. The purpose of the meeting and the activities taking place at the meeting;
- b. The purpose and activities of the sponsoring organizations or groups;
- c. The residences of the active members of the sponsoring organization and the places at which other meetings of the sponsoring organization or groups have been or will be held; and
- d. Other relevant factors you may present.

You cannot deduct expenses for attending meetings held on cruise ships, including those sailing within the territorial waters of the United States.

For more details, get **Publication 463**.

Line 28 Wages

Enter on line 28a the total salaries and wages (other than salaries and wages deducted elsewhere on your return) paid or incurred for the tax year. Do not include any amount paid to yourself.

Enter on line 28b, the jobs credit from **Form 5884**. Subtract line 28b from wages shown on line 28a and enter the balance on 28c.

For more details, please get **Publication 906**, Jobs and Research Credits.

Line 29 Windfall Profit Tax Withheld

If you hold an operating oil, gas, or mineral interest, and you are a cash method taxpayer, deduct on line 29 the amount of windfall profit tax actually withheld in 1982. **Form 6248**, Annual Information Return of Windfall Profit Tax—1982, shows the amount of windfall profit tax actually withheld in 1982.

Line 30 Other Business Expenses

Include all ordinary and necessary business expenses not deducted elsewhere on Schedule C. Do not include the cost of business equipment or furniture, replacements or permanent improvements to property, or personal living and family expenses.

Any loss from this activity that was not allowed as a deduction last year because of the "at risk" provisions, is treated as a deduction allocable to this activity in 1982.

Amortization. Use **Form 4562** to figure your amortization deduction. Include on line 30 of Schedule C the amount from **Form 4562**, Part II.

You may amortize the cost of pollution-control facilities, certain expenditures made before January 1, 1977, for on-the-job training facilities, and before January 1, 1982, for child-care facilities over a 60-month period.

You may amortize the following over a period of at least 60 months:

- amounts paid for research, experiments, and a trademark or trade name.

● certain business startup costs paid or incurred after July 29, 1980.

You may also amortize up to \$10,000 of qualified forestation and reforestation costs over an 84-month period.

If you own a certified historic structure and pay or incur certain capital expenditures to rehabilitate it, special rules apply. See **Publication 535, Business Expenses**, for more information on rehabilitation expenditures of a certified historic structure.

Real property construction period interest and taxes generally cannot be fully deducted in the year you paid or incurred them. You must capitalize and amortize amounts not allowed as a deduction in the current year. This rule does not apply to low-income housing.

However, beginning in 1982, you do not have to capitalize and amortize real property interest and taxes attributable to real property that you do not reasonably expect to use in your trade or business or in an activity engaged in for profit.

For more information on amortization, please get **Publication 535**.

Line 32 Net Profit or (Loss)

If you have a profit, stop here. Enter the amount here and combine this amount with the profit or (loss) from your other businesses, if any. Enter the total on Form 1040, line 12, and Schedule SE, Part I, line 2 (or Form 1041, line 6).

If you have a loss, go on to line 33 before entering your loss on line 32.

Line 33 "At Risk"

Deductions for losses by persons who are engaged in a trade or business except real estate (other than mineral property) or an activity for the production of income are limited to the amount they have "at risk" in the business. You are "at risk" for an activity for the cash and adjusted basis of property you contributed to the activity and any amount borrowed for use in the activity for which you are personally liable. You are also "at risk" to the extent of the net fair market value of your own property (not used in the activity) that secures borrowed amounts for which you are not liable.

Answer the question "YES" if you have any loans for this business that:

- you borrowed from a person who is related to you under section 267(b); OR
- you borrowed from a person who has an interest in the business (other than as a creditor); OR
- you are protected against loss by a guarantee, stop-loss agreement, or similar arrangement; OR
- you are not personally required to pay back the money.

If you do not have any of these kinds of loans or other amounts for which you are not "at risk" in this business, then answer the question "NO." Enter the full loss on line 32 and combine this amount with the profit or (loss) from your other businesses, if any. Enter the total on Form 1040, line 12, and Schedule SE, Part I, line 2 (or Form 1041, line 6).

If you answered "YES" to the question on line 33, enter on line 32 either the amount of your loss or the amount for which you are considered "at risk," which-

ever is smaller. For example, if your loss is \$1,000 and your amount "at risk" is \$400, you would enter "\$400" on line 32. Or, if your loss is \$1,000 and your amount "at risk" is \$1,200, enter "\$1,000" on line 32.

If your "at risk" amount is smaller than zero, enter zero.

Also enter this amount as your loss from Schedule C on Form 1040, line 12, and Schedule SE, Part I, line 2 (or Form 1041, line 6).

If you dispose of an asset used in an activity to which the "at risk" rules apply (see I.R. Code section 465), combine the gain or loss on the disposition with the profit or loss from the activity. If you have a net loss, you may be subject to the "at risk" provisions.

For more details, get **Publication 536, Net Operating Losses and the At-Risk Limits**.

Instructions for Schedule SE Social Security Self-Employment Tax

Purpose

Schedule SE is used by self-employed persons to figure any self-employment tax due. The Social Security Administration uses the information provided on Schedule SE to figure benefits for self-employed people under the social security program. Social security self-employment tax applies regardless of your age, and even if you are receiving social security benefits.

Who Must Use Schedule SE

You must use Schedule SE if:

- You were self-employed,
- Your net earnings from self-employment were \$400 or more, and
- You did not have wages (including tips) of \$32,400 or more that were subject to social security tax or railroad retirement tax.

Who Should Use Schedule SE

You should use Schedule SE if you will benefit from using the optional method of computing self-employment earnings.

Use of the optional method may benefit you if:

- Your self-employment earnings are less than \$400 and Form 1040, line 33, is less than \$10,000 and you wish to claim the earned income credit; or
- You had a loss from self-employment and you need to increase your net earnings from self-employment to qualify to claim the child and dependent care credit.

Fiscal Year Filers

If your tax year is a fiscal year, you must use the tax rate and earnings base that apply at the time the fiscal year begins. You need not prorate the tax or earnings base for a fiscal year that overlaps the date of a rate or earnings base change.

More Than One Business

If you farmed and had at least one other trade or business or had two or more trades or businesses, your net earnings from self-employment are the combined net earnings from all your businesses. If you had a loss in one trade or business, it reduces the income from another. Figure the combined self-employment tax on Schedule SE.

Joint Returns

Show the name of the spouse with self-employment income on Schedule SE. If both spouses have self-employment income, each must file a separate Schedule SE. Include the total profits or losses from all businesses on Form 1040, line 12 or 19, as appropriate. Then enter the combined self-employment tax on Form 1040, line 51.

Community Income

In figuring net earnings from self-employment, if any of the income from a business, including farming, is community income, all the income from that business is considered the income of the spouse who carried on the trade or business unless there is a husband and wife partnership. The identity of the spouse who carried on the trade or business is determined by the facts in each situation.

If you file separate returns, attach Schedules C and SE (for nonfarm business) or Schedules F and SE (for farm business) to the return of the spouse with the self-employment income. Community income included on these schedules must be divided, for income tax purposes, on the basis of the community property laws.

Partnerships

In figuring your combined net earnings from self-employment, you should include your entire share of earnings from a partnership, including any guaranteed payments. However, if you are a limited partner, do not include your share of income or loss from the partnership, other than guaranteed payments. Unless you and your spouse are partners, no part of your partnership earnings can be treated as your spouse's even if the income, under State law, is community income. If you and your spouse have a partnership, enter the distributive share of each as partnership income on Schedule E (Form 1040), Part II for income tax purposes, and on separate Schedules SE, line 1 or line 2, for self-employment tax purposes.

If a partner in a continuing partnership dies, that member's distributive share of partnership ordinary income or loss for the year must be included in the partner's net earnings from self-employment.

Share-Farming

If you produced crops or livestock on land belonging to another for a share of the crops or livestock produced, or the proceeds from them, you are an independent contractor and a self-employed person rather than an employee. Report your net earnings for income tax on Schedule F and for social security self-employment tax on Schedule SE.

Exemption From Self-Employment Tax for Members of the Clergy and Certain Religious Orders and Sects

If you are a duly ordained, commissioned, or licensed minister of a church, member of a religious order (who has not taken a vow of poverty), or a Christian Science practitioner, you are subject to social security self-employment tax. But you can, under certain conditions, request IRS approval to exempt your income from services as a minister, member, or practitioner by filing Form 4361. If you have received IRS approval and have no other income subject to social security self-employment tax, write "Exempt—Form 4361" on Form 1040, line 51. If you filed Form 4361, but have \$400 or more from other earnings subject to self-employment tax, you must complete Schedule SE.

Note: If you previously filed Form 2031 to pay social security self-employment tax in order to get social security coverage, you cannot now apply for exemption.

If you have conscientious objections to social security insurance because of your belief in the teachings of a recognized religious sect of which you are a member, you can request exemption from self-employment tax by filing Form 4029. If you filed Form 4029 and have received IRS approval, do not file Schedule SE. Instead, write "Exempt—Form 4029" on Form 1040, line 51.

Coverage for Overseas Missionaries

If you are a U.S. citizen and a minister (except a Christian Science practitioner) or member of a religious order serving outside the United States, you may figure earnings from self-employment as if you were serving in the United States (provided you have not elected exemption from coverage).

For more information, please get Publication 517, Social Security for Members of the Clergy and Religious Workers.

U.S. Citizens Employed by Foreign Governments or International Organizations

You are subject to the social security self-employment tax if you are a U.S. citizen employed in the United States, Puerto Rico, Guam, American Samoa, Northern Mariana Islands, or the Virgin Islands by a foreign government, in certain cases by an instrumentality wholly owned by a foreign government, or by an international organization organized under the International Organizations Immunities Act. Report income from this employment on Schedule SE, line 2. If you are employed by a foreign government or international organization in a country other than those listed, you are not subject to the self-employment tax.

Self-Employed U.S. Citizens or Residents Living Outside the United States

If you are a self-employed U.S. citizen or resident living outside the United States, you are generally subject to the self-employment tax. Your foreign earn-

ings from self-employment may be reduced by any allowable exclusion of foreign earned income or exclusion or deduction for foreign housing cost amounts. However, if you qualify to exclude your foreign earned income under the physical presence test, you may not reduce your foreign earnings from self-employment by your foreign earned income exclusion.

Line-By-Line Instructions

We have provided specific instructions for some of the lines on the schedule. Those lines that do not appear in the instructions are self-explanatory.

Name of self-employed person. Enter the name and social security number of the self-employed person as it appears on that person's social security card.

Part I

Regular Computation of Net Earnings from Self-Employment Income Not Included in Net Earnings from Self-Employment

- Salaries, fees, etc. subject to FICA tax which you received for performing services as an employee, including services performed as a public official (except as a fee basis government employee as explained under Income Included in Net Earnings from Self-Employment) or as an employee or employee representative under the railroad retirement system.
- Income you received as a retired partner under a written partnership plan that provides for lifelong periodic retirement payments, if you had no other interest in the partnership and did not perform services for it during the year.
- Real estate rentals, unless received in the course of a trade or business as a real estate dealer. These include cash and crop shares received from a tenant or sharefarmer. You should report these amounts on Schedule E, Part I.
- Dividends on shares of stock and interest on bonds, debentures, notes, certificates, or other evidence of corporate indebtedness unless received in the course of your trade or business as a dealer in stocks or securities.
- Gain or loss from:
 - The sale or exchange of a capital asset;
 - 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;
 - Certain transactions in timber, coal, or domestic iron ore; or
 - Net operating losses from other years.

Other Income Included in Net Earnings from Self-Employment

- Rental income from a farm if the rental arrangement provides for material

participation by the landlord and, as landlord, you participated materially in the production or management of the production of farm products on this land. This income is farm earnings. Report it on Schedules F and SE. (To determine whether you participated materially in farm management or production, do not consider the activities of any agent who acted for you.)

- Payments for the use of rooms or other space when services are also provided to the occupant, such as rooms in hotels, boarding houses, tourist camps, or homes.
- Payments you received for space in parking lots, trailer parks, warehouses, or storage garages.
- Income you received from the retail sale of newspapers and magazines if you are 18 or over and kept the profits.
- Income you received as a crew member of a fishing vessel with a crew of normally less than 10 individuals. See Publication 595, Tax Guide for Commercial Fishermen, for more information.
- Fees you received for services performed as a State or local government employee provided you are compensated solely on a fee basis and the position is not covered under a Federal-State social security coverage agreement.
- The rental value of a home or an allowance for a home furnished you if you are a minister or a member of a religious order.
- The value of meals and lodging provided to you for the convenience of your employer if you are a minister or member of a religious order.
- Director's fees and other payments received by a director of a corporation for services as a director.
- Fiduciaries' fees received by professional fiduciaries. Also, nonprofessional fiduciaries if the fees relate to active participation in the operation of the estate's trade or business or the facts indicate the fiduciary manages an estate which requires extensive management activities over a long period of time.

Lines 1 and 2.—Exclude from lines 1 and 2 any income or expense not included in figuring net earnings from self-employment and attach an explanation. If you are a partner, adjust lines 1 and 2 for any expense deduction for recovery property (section 179) claimed, oil or gas depletion, or unreimbursed partnership expenses.

If you deposited earnings into a capital construction fund established under the Merchant Marine Act of 1936, see Publication 595.

If you are a duly ordained minister who is an employee of a church and if you are subject to self-employment tax, the unreimbursed business expenses that you incurred in performing your services as an employee of the church (allowed only as an itemized deduction) are deducted from your self-employment earnings in figuring your self-employment tax. For more information see Publication 517.

Part II

Optional Method for Figuring Net Earnings from Farm Self-Employment

If your gross farming profits for the year were not more than \$2,400, you can report two-thirds of your gross farm profits instead of your actual net earnings from farming.

If your gross farm profits were more than \$2,400, and your net farm earnings were less than \$1,600, you can report \$1,600 on line 4.

There is no limit on how many times you can elect this optional method. If you use this method, you must apply it to all farm earnings from self-employment for the year. This method can be used to increase or decrease net farm earnings, even if the farming operation resulted in a loss. You may change the method (from actual net to optional net or the reverse) after you file your return.

For a farm partnership, figure your share of gross profits according to the partnership agreement. With guaranteed payments, your share of the partnership's gross profits is your guaranteed payment plus your share of the gross profits after they are reduced by all guaranteed payments of the partnership. Limited partners should include only guaranteed payments.

Optional Method for Figuring Net Earnings from Nonfarm Self-Employment

You may be able to use an optional method to figure your net earnings from nonfarm self-employment if your actual net earnings from nonfarm self-employment are less than \$1,600 and less than two-thirds of your gross nonfarm profits.

You may use this optional method if you are regularly self-employed or regularly a member of a partnership. You meet this requirement if you had actual net earnings from self-employment of \$400 or more (including your distributive share of the income or loss from any partnership of which you are a member) from nonfarm and farm businesses in at least 2 of the 3 years immediately before the year for which you use the nonfarm option.

You may report two-thirds of your gross nonfarm profits (but not more than \$1,600) as your net earnings from self-employment on line 6, but you may not report less than your actual net earnings from nonfarm self-employment.

For a nonfarm partnership, figure your share of gross profits according to the partnership agreement. With guaranteed payments, your share of the partnership's gross profits is your guaranteed payment plus your share of the gross profits after they are reduced by all guaranteed payments of the partnership. Limited partners should include only guaranteed payments.

The limit for the optional method for nonfarm self-employment is 5 years. The 5 years need not be consecutive.

Using Both Optional Methods

If you have both nonfarm and farm income, you may only use the nonfarm option if your actual net earnings from nonfarm self-employment are less than \$1,600. In all combined cases, your net

nonfarm earnings must be less than two-thirds of your gross nonfarm profits to use the nonfarm option. If you qualify to use both options, you may report less than actual total net earnings but not less than actual net earnings from nonfarm self-employment alone.

If you use both options in figuring net earnings from self-employment, your maximum combined total of net earnings from self-employment for any tax year cannot be more than \$1,600.

Line 4.—Enter two-thirds of the total of the amount from all Schedules F, line 31 or line 88, and Schedules K-1 (Form 1065), line 18a, or \$1,600, whichever is smaller.

Line 6.—Enter the smaller of:

- \$1,600;
- $\frac{2}{3}$ of the total of gross profits from all Schedules C, line 3, plus the distributive share of gross profits from all nonfarm partnerships, Schedule K-1 (Form 1065), line 18c; or
- The amount on line 5 if you also had farm income and elect the farm optional method.

Instructions for Schedule F Farm Income and Expenses

Purpose

Use Schedule F to report farm income and expenses if you file Forms 1040, 1041, or 1065. Please get **Publication 225, Farmer's Tax Guide**, for additional information. It has samples of filled-in forms and schedules, and Important Dates that apply to farmers. You may also want to get **Publication 534, Depreciation**.

If you were required to make estimated tax payments in 1982 and you underpaid your estimated tax, you may be charged a penalty. You will not be charged a penalty, however, if you meet the following tests:

- your gross farming or fishing income for 1981 or 1982 is at least two-thirds of your gross income, and
- you file your 1982 tax return and pay the tax due by March 1, 1983.

For more details, see **Publication 225**.

Do not report the following income on Schedule F:

- Rent you received that was based on farm production or crop shares if you did not run the farm yourself. Report this income on **Form 4835** and **Schedule E** (Form 1040). It is not subject to self-employment tax.
- Rent from your pasture land. Report this income in Part I of **Schedule E** (Form 1040). However, report pasture income received from taking care of someone else's livestock on line 29 of Schedule F.
- Sales, exchanges, or involuntary conversions (other than casualty or theft) of certain trade or business property. Report this income on **Form 4797**.
- Sales of livestock held for draft, breeding, sport, or dairy purposes. Report this income on **Form 4797**.

Which Parts to Use

● Schedule F has 4 parts. The accounting method you used to record your farm income determines which parts you must fill in.

Under the **cash method**, you include all of your income in the year you actually get it. Generally, you deduct your expenses when you pay them. If you use the cash method, fill in Parts I and II.

Under the **accrual method**, you include your income in the year you earned it. It does not matter when you get it. You deduct your expenses when you incur them. If you use the accrual method, fill in Parts II, III and IV.

Employer Identification Number

You need an employer identification number only if:

- you had a Keogh (H.R. 10) plan, or
- you were required to file an employment tax, excise tax, or alcohol, tobacco or firearms tax return.

Part I

Farm Income

Cash Method

In Part I show the income you received for the items listed on lines 1 through 28. Count both the cash you actually or constructively received and the fair market value of goods or other property you received for these items.

Income is constructively received when it is credited to your account or set aside for you to use.

If you ran the farm yourself and received rents based on farm production or crop shares, report these rents as income on the line for the crop, or on line 29.

Line 1

In column (b) show the amount you received from sales of livestock you bought for resale. In column (c) show the cost or other basis of the livestock.

Line 2

In column (b) show the amount you received from sales of other items you bought for resale. In column (c) show the cost or other basis of those items.

Line 4

If you sold livestock because of a drought, you can choose to count the income from the sale in the year after the drought, instead of the year of the sale. You can do this IF:

- your main business is farming, AND
- you can show that you sold the livestock only because of the drought, AND
- your area qualified for Federal aid.

Lines 5 through 19

Show the amount you got from the sale of livestock and produce you raised.

Line 20

Show the amount you were paid for the use of your farm machinery.

Line 21

Show patronage dividends you received in cash, and the dollar amount of qualified written notices of allocation. If you received

property as patronage dividends, report the fair market value of the property as income. Include cash advances you received from a marketing cooperative.

You do not have to include as income patronage dividends from buying:

- personal or family items.
- capital assets.
- depreciable assets you use in your business.

Enter these amounts on line 21b. 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.

Line 22

If you get per-unit retains in cash, show the amount of cash. If you get qualified per-unit retain certificates, show the stated dollar amount of the certificate.

Line 24

Enter on line 24a cash you got as price support payments, diversion payments, and cost-share payments (sight drafts).

On line 24b, show the amounts the Department of Agriculture paid for materials such as fertilizer or lime, or services such as grading or constructing dams.

Line 25

Report Commodity Credit Corporation loans you received as income if:

- the commodities are delivered or forfeited to the Corporation instead of sold in the market, OR
- you choose to report the loan as income when you receive it. If you do this, attach a statement showing the details of the loan. You must continue to report these loans as income unless the IRS permits you to change your accounting method.

Line 26

If you took a credit for Federal gasoline tax on your 1981 Form 1040, enter the amount of the credit here.

Line 27

Enter the amount of any State gasoline tax refund you got in 1982.

Line 28

In general, you must report crop insurance proceeds in the year you receive them.

However, you may choose to include crop insurance proceeds and certain disaster payments in income in the tax year after the year of damage if you can show that it is your practice to report income from these crops in the later tax year.

Line 29

Use this line to report income other than that shown on lines 1 through 28.

Report the sale of commodity futures contracts on this line if they were made to protect you from price changes. These are a form of business insurance and are considered hedges. Enter any profit on line 29. If you had a loss in a closed futures contract, show it as a minus amount.

Caution: For property acquired and hedging positions established after December 31, 1981, you must clearly identify on your books and records that the transaction was a hedging transaction.

Purchase or sales contracts are not true hedges if they offset losses that already happened. If you bought or sold commodity futures with the hope of making a profit due to favorable price changes, do not report the profit or loss on this line. Report the gain or loss on Form 6781, Gains and Losses from Commodity Futures Contracts and Straddle Positions.

Report as income the amount of the credit for alcohol used as a fuel that was entered on Form 6478.

Part II Farm Deductions

Cash and Accrual Method

Do not deduct:

- personal or living expenses (such as taxes, insurance, or repairs on your home) that do not produce farm income.
- expenses of raising anything you or your family used.
- the value of animals you raised that died.
- loss of inventory.
- personal losses.
- the cost of planting and growing citrus or almond groves for the first four years after you plant them. You must treat these items as part of the cost of the grove. However, you may depreciate the cost of an irrigation system used in connection with the citrus grove, beginning in the year the system is placed in service.

If you were repaid for any part of an expense, you must subtract the amount you were repaid from the deduction.

Farming Syndicates

A farming syndicate may be:

- a partnership, or
- any other noncorporate group, or
- a small business corporation, if
 - a. the interests in the business have ever been for sale in a way that would require registration with any Federal or State agency, or
 - b. more than 35% of the loss during any tax year is spread between limited partners or limited entrepreneurs.

(A limited partner or limited entrepreneur is a person who does not take any active part in managing the business, and who can lose only the amount he or she has invested.)

If you are a farming syndicate, your deductions are limited as follows:

- Generally, you can deduct feed, seed, fertilizers and other farm supplies only in the year you actually use them (or only in the year you can deduct them under your accounting method). However, if you bought supplies you could not use because of fire, storm, flood, disease, or other casualty, then you may deduct them in the year you bought them.
- You must spread the cost of poultry you bought to use in business (or to resell) over 12 months, or the useful life, whichever is less.
- You cannot deduct the cost of planting, cultivating, maintaining or developing groves, orchards or vineyards, which produce fruit or nuts, before the tax year in which they produce commercial quantities. You must treat these costs as part of the cost of the grove.

Line 32

Enter the amount you paid for farm labor. You can count the cost of boarding farm labor but not the value of any products they used from the farm. You can count only what you paid household help to care for farm laborers. Do not count the value of your own or your family's labor.

Enter on line 32b the jobs credit from Form 5884. Subtract line 32b from labor hired on line 32a and enter the balance on line 32c.

For more details, please get Publication 906, Jobs and Research Credits.

Line 33

Enter what you paid for repairs and upkeep of farm buildings (but not your home), machinery and equipment. You can also include what you paid for tools of short life or small cost, such as shovels and rakes.

Line 34

Show the interest you paid on your farm (but not your home) mortgage. Also include interest on other loans related to this farm. If you prepaid interest in 1982 for years after 1982, include only the part that applies to 1982.

Line 35

If you are a tenant farmer and pay the owner of the land a share of the crop rather than cash, show the cost of raising the crop. Do not enter the value of the crop.

Line 36

If you use the cash method, show what you paid for feed to be consumed by your livestock in the year of payment. If the feed is to be consumed in a later tax year, however, the expense might not be deductible in the year paid. See Publication 225 for more information on advance payments for feed.

Line 39

Show what you paid to rent machinery used on your farm.

Line 45

You can deduct the following taxes:

- real estate and personal property taxes on farm business assets.
- social security taxes you paid to match what you are required to withhold from farm employees' wages.

Do not deduct:

- Federal income taxes.
- estate and gift taxes.
- taxes assessed to pay for improvements such as paving, sewers, etc.
- taxes on your home or personal property.
- other taxes not related to the farm business.

Line 46

Show only the amount of premiums for fire, storm, crop, and theft insurance for this year for your farm business assets. Do not include insurance on personal assets, or medical, health or disability insurance on yourself or your family.

Line 47

Show what you paid for gas, electricity, water, etc. for business use on the farm. Do not include personal utilities.

Line 48

Do not include as freight paid the cost of transportation incurred in purchasing livestock held for resale. Instead, add these costs to the cost of the livestock, and deduct them when the livestock are sold.

Line 49

You can deduct what you spent to conserve soil or water, or to prevent erosion of your land. You can also deduct what you paid to a soil or water district for conservation expenses. Do not deduct more than 25% of your gross income from farming (excluding certain gains from selling assets such as farm machinery and land). If your conservation expenses are more than the limit, you can carry the excess over to following years.

Line 50

Show what you paid to clear land so you could farm it. Do not enter more than \$5,000 or 25% of your taxable income from farming, whichever is less.

Line 51

Enter the amount you paid to pension, profit-sharing, or annuity plans for your employees. If the plan included you as an owner-employee, see the instructions for Schedule C, line 21, on page 27. Enter the amount you paid for yourself on Form 1040, line 26.

Line 52

Enter any amounts you paid to programs for your employees that are not a part of the plans on line 51. Examples are insurance, health, and welfare programs. Do not include here amounts paid for yourself or your family.

Line 53

Enter expenses not listed on another line, such as:

- office supplies.
- advertising.
- car and truck expenses. You can deduct what it cost you to run your car or truck, or take the fixed mileage rate. The rate is 20 cents a mile up to 15,000 miles, and 11 cents a mile for each mile after that. If you use more than one vehicle for business, you must use the actual cost. If you use the vehicle for both personal and farm purposes, show only the miles (or costs) which apply to farming.

For vehicles that have been fully depreciated, the rate is 11 cents a mile.

If you use the fixed rate, the vehicle is considered to have a useful life of 60,000 miles of business use at the maximum fixed mileage rate.

Note: If you place a car or truck in service after December 31, 1980, and take the fixed mileage rate, you are treated as having elected to exclude this vehicle from ACRS.

For more details, get Publication 463, Travel, Entertainment, and Gift Expenses.

Note: If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a Federal highway use tax on these vehicles. Get Form 2290, Federal Use Tax Return on Highway Motor Vehicles, to see whether you are subject to the tax.

• Any loss from this activity that was not allowed as a deduction last year because of the "at risk" provisions. This is treated as a deduction allocable to this activity in 1982.

• amortization of qualifying forestation and reforestation costs over an 84-month period.

• amortization of certain business startup costs over a period of at least 60 months.

Use Form 4562 to figure your amortization deduction. Include on line 53 of Schedule F the amount of the deduction from Form 4562, Part II.

For more information on amortization, see Publication 535, Business Expenses.

Line 55

You can deduct depreciation of buildings, improvements, cars and trucks, machinery, and other farm equipment of a permanent nature.

Do not include depreciation on:

- your home, furniture, or other personal items,
- land,
- livestock you bought or raised for resale, or
- other property in your inventory.

Generally, you MUST use the Accelerated Cost Recovery System (ACRS) for all assets you place in service after December 31, 1980.

You cannot use ACRS for:

- assets placed in service before January 1, 1981,
- certain public utility property,
- certain property acquired from related persons, and
- property acquired in certain non-recognition transactions.

Figure your depreciation deduction on Form 4562, Depreciation and Amortization. Enter on line 55 of Schedule F the amount from Form 4562, Part I.

Election to Expense Certain Recovery Property (section 179). For tax years beginning in 1982, you may choose to expense part of the cost of recovery property you bought in 1982 for use in your business. You may deduct up to \$5,000 (\$2,500 if married filing separately) of the cost of recovery property that would otherwise qualify for investment credit. However, you may not depreciate or amortize the same costs, or claim an investment credit for the costs. Only property used in your trade or business qualifies for the deduction.

Use Form 4562 to figure your deduction. Include on line 55 of Schedule F the amount from Form 4562, Part I.

Please get Publication 534, Depreciation, for more information.

Line 57

If you have a profit, stop here. Enter the amount here and on Form 1040, line 19, and Schedule SE, Part I, line 1 (or Form 1041, line 6). Partnerships should stop here and enter the profit or loss on this line and on Form 1065, line 8.

If you have a loss, go on to line 58 before entering your loss on line 57.

Line 58

Deductions for losses by persons who are engaged in farming as a trade or business, or for the production of income, are limited to the amount they have "at risk" in the farm. You are "at risk" for an activity for the cash and adjusted basis of property you contributed to the activity and any amount borrowed for use in the activity for which you are personally liable. You are also "at risk" to the extent of the net fair market value of your own property (not used in the activity) that secures borrowed amounts for which you are not liable.

Answer the question "YES" if you have any loans for this farm that:

- you borrowed from a person who is related to you under section 267(b); OR
- you borrowed from a person who has an interest in the business (other than as a creditor); OR
- you are protected against loss by a guarantee, stop-loss agreement or similar arrangement; OR
- you are not personally required to pay back the money.

If you do not have any of these kinds of loans, or other amounts for which you are not "at risk" in this business, then answer the question "NO." Enter the full loss on line 57 and on Form 1040, line 19, and Schedule SE, Part I, line 1 (or Form 1041, line 6).

If you answered "YES" to the question on line 58, enter on line 57 either the amount of your loss or the amount for which you are considered "at risk," whichever is smaller. For example, if your loss is \$1,000 and your amount "at risk" is \$400, you would enter (\$400) on line 57. Or, if your loss is \$1,000 and your amount "at risk" is \$1,200, enter (\$1,000) on line 57.

If your "at risk" amount is smaller than zero, enter zero.

Also enter this amount as your loss from farming on Form 1040, line 19, and Schedule SE, Part I, line 1 (or Form 1041, line 6).

If you sell or otherwise dispose of (1) an asset used in an activity to which the "at risk" rules apply or (2) any part of your interest in an activity to which the "at risk" rules apply (see I.R. Code section 465), combine the gain or loss on the disposition with the profit or loss from the activity.

If you have a net loss, you may be subject to the "at risk" provisions.

For more details, get **Publication 536**, Net Operating Losses and the At-Risks Limits.

Part III

Farm Income

Accrual Method

If you use the accrual method, report farm income when you earn it, not when you receive it. Generally, you must inventory your animals and crops if you

use this method. See **Publication 538**, Accounting Periods and Methods, for exceptions, inventory methods, and how to change from accrual to cash methods of accounting.

Lines 59 through 75

For each item listed, fill in columns (b), (c), (d), and (e) across. See the line-by-line instructions for Part I for more information.

Part IV

Summary of Income and Deductions

Accrual Method

Lines 79 and 80

See instructions for Part I, lines 24 and 25.

Line 81

If you take a credit for Federal gasoline tax on your 1982 income tax return, enter the amount of the credit on this line.

Line 82

If you are due a refund of State gasoline tax for 1982, enter the amount here.

Line 83

See instructions for Part I, line 29.

Lines 90 and 91

See instructions for Part I, lines 57 and 58.

1982 Tax Table (Continued)

Table with columns for 'If line 37 (taxable income) is—', 'And you are—', and 'Your tax is—'. It includes sub-sections for '19,000', '20,000', '21,000', '22,000', '23,000', and '24,000'. Each section contains rows of income brackets and corresponding tax values for different marital statuses and filing methods.

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

Continued on next page

1982 Tax Rate Schedules

Your zero bracket amount has been built into these Tax Rate Schedules.

Caution: You must use the Tax Table instead of these Tax Rate Schedules if your taxable income is less than \$50,000 unless you use Schedule G (income averaging), to figure

your tax. In that case, even if your taxable income is less than \$50,000, use the rate schedules on this page to figure your tax.

Schedule X

Single Taxpayers

Use this Schedule if you checked **Filing Status Box 1** on Form 1040—

Over—	But not Over—	Enter on Form 1040, line 38	of the amount over—
\$0	\$2,300	—0—	
2,300	3,400	.....12%	\$2,300
3,400	4,400	\$132+14%	3,400
4,400	6,500	272+16%	4,400
6,500	8,500	608+17%	6,500
8,500	10,800	948+19%	8,500
10,800	12,900	1,385+22%	10,800
12,900	15,000	1,847+23%	12,900
15,000	18,200	2,330+27%	15,000
18,200	23,500	3,194+31%	18,200
23,500	28,800	4,837+35%	23,500
28,800	34,100	6,692+40%	28,800
34,100	41,500	8,812+44%	34,100
41,500	.....	12,068+50%	41,500

Schedule Z

Unmarried Heads of Household

(including certain married persons who live apart (and abandoned spouses)—see page 6 of the instructions)

Use this schedule if you checked **Filing Status Box 4** on Form 1040—

Over—	But not Over—	Enter on Form 1040, line 38	of the amount over—
\$0	\$2,300	—0—	
2,300	4,400	.....12%	\$2,300
4,400	6,500	\$252+14%	4,400
6,500	8,700	546+16%	6,500
8,700	11,800	898+20%	8,700
11,800	15,000	1,518+22%	11,800
15,000	18,200	2,222+23%	15,000
18,200	23,500	2,958+28%	18,200
23,500	28,800	4,442+32%	23,500
28,800	34,100	6,138+38%	28,800
34,100	44,700	8,152+41%	34,100
44,700	60,600	12,498+49%	44,700
60,600	.....	20,289+50%	60,600

Schedule Y

Married Taxpayers and Qualifying Widows and Widowers

Use this schedule if you checked **Filing Status Box 2** or **5** on Form 1040—

Use this schedule if you checked **Filing Status Box 2** or **5** on Form 1040—

Over—	But not Over—	Enter on Form 1040, line 38	of the amount over—
\$0	\$3,400	—0—	
3,400	5,500	.....12%	\$3,400
5,500	7,600	\$252+14%	5,500
7,600	11,900	546+16%	7,600
11,900	16,000	1,234+19%	11,900
16,000	20,200	2,013+22%	16,000
20,200	24,600	2,937+25%	20,200
24,600	29,900	4,037+29%	24,600
29,900	35,200	5,574+33%	29,900
35,200	45,800	7,323+39%	35,200
45,800	60,000	11,457+44%	45,800
60,000	85,600	17,705+49%	60,000
85,600	.....	30,249+50%	85,600

Married Filing Separate Returns

Use this schedule if you checked **Filing Status Box 3** on Form 1040—

Over—	But not Over—	Enter on Form 1040, line 38	of the amount over—
\$0	\$1,700	—0—	
1,700	2,750	.....12%	\$1,700
2,750	3,800	\$126.00+14%	2,750
3,800	5,950	273.00+16%	3,800
5,950	8,000	617.00+19%	5,950
8,000	10,100	1,006.50+22%	8,000
10,100	12,300	1,468.50+25%	10,100
12,300	14,950	2,018.50+29%	12,300
14,950	17,600	2,787.00+33%	14,950
17,600	22,900	3,661.50+39%	17,600
22,900	30,000	5,728.50+44%	22,900
30,000	42,800	8,852.50+49%	30,000
42,800	.....	15,124.50+50%	42,800

Tele-Tax (For Use by Taxpayers Using Push-button Telephones)

In 1983, the IRS will begin a new telephone service called Tele-Tax. This service will provide recorded tax information tapes on about 140 topics covering such areas as filing requirements, dependents,

itemized deductions, and tax credits. Tele-Tax is available 24 hours a day, 7 days a week to taxpayers using push-button telephones.

Brochures which list all the available topics and describe how

to use the service are available in many banks and libraries.

Tele-Tax telephone numbers are listed below. If you call from outside the local dialing area of any of these numbers, you will have to pay a long distance charge.

ALABAMA Birmingham 205-251-9454 Mobile 205-433-6993 Montgomery 205-262-8304	LOUISIANA New Orleans 504-529-2854	NORTH CAROLINA Charlotte 704-371-6352 Greensboro 919-378-5172 Raleigh 919-755-1498 Winston-Salem 919-761-3136
ALASKA Anchorage 907-272-2814	MAINE Portland 207-775-0465	NORTH DAKOTA Fargo 701-232-9360
ARIZONA Phoenix 602-261-3560	MARYLAND Baltimore 301-244-7306	OHIO Cleveland District Akron 216-253-1170 Cleveland 216-522-3037 Toledo 419-255-3743
ARKANSAS Little Rock 501-372-3891	MASSACHUSETTS Boston 617-523-8602 Springfield 413-739-6624	Cincinnati District Cincinnati 513-421-8050 Columbus 614-463-1898 Dayton 513-461-9755
CALIFORNIA Carson 213-632-3555 El Monte 213-571-6902 Fresno 209-268-5395 Los Angeles 213-617-3177 Oakland 415-839-4245 Sacramento 916-448-4367 San Diego 619-293-5020 San Jose 408-293-5606	MICHIGAN Ann Arbor 313-665-4544 Detroit 313-961-4282 Flint 313-238-4599 Grand Rapids 616-451-2034 Lansing 517-372-2454 Mt. Clemens 313-463-9550 Pontiac 313-858-2336	OKLAHOMA Oklahoma City 405-235-3434 Tulsa 918-599-0555
COLORADO Denver 303-296-0462	MINNESOTA St. Paul 612-224-4288	OREGON Portland 503-294-5363
CONNECTICUT Hartford 203-547-0015 Bridgeport 203-335-0070	MISSISSIPPI Jackson 601-960-4168	PENNSYLVANIA Erie 814-459-7419 Pittsburgh 412-281-3120 Philadelphia 215-592-8946
DELAWARE Wilmington 302-652-0272	MISSOURI Kansas City 816-421-3741 St. Louis 314-241-4700	RHODE ISLAND Providence 401-861-5220
DISTRICT OF COLUMBIA Call 202-628-2929	MONTANA Billings 406-443-7034	SOUTH CAROLINA Charleston 803-722-0369 Columbia 803-254-4749
FLORIDA Jacksonville 904-353-9579 Miami 305-374-5144 Orlando 305-422-0592	NEBRASKA Omaha 402-221-3324	SOUTH DAKOTA Sioux Falls 605-335-7081
GEORGIA Atlanta 404-221-6572 Augusta 404-722-9068 Columbus 404-327-0298 Savannah 912-533-9632	NEVADA Las Vegas 702-385-1778	TENNESSEE Knoxville 615-521-7478 Memphis 901-525-2611 Nashville 615-542-1541
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ILLINOIS Champaign 217-398-1779 Chicago 312-886-9614 Peoria 309-637-9305 Rockford 815-987-4280 Springfield 217-789-0489	NEW MEXICO Albuquerque 505-766-1102	VERMONT Burlington 802-658-0007
INDIANA Evansville 812-422-1026 Gary 219-884-4465 Indianapolis 317-634-1550	NEW YORK Albany District (Eastern Upstate New York) Albany 518-465-8318 Poughkeepsie 914-452-1877	VIRGINIA Baileys Crossroads 703-557-0034 Norfolk 804-441-3623 Richmond 804-771-2369
IOWA Des Moines 515-284-6117	Brooklyn District Brooklyn 212-858-4461 Mineola 516-248-6790 Smithtown 516-979-0720	WASHINGTON Seattle 206-343-7221
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		WYOMING Cheyenne 307-634-1198

How to Get Forms

Generally, we mail forms and schedules directly to you based on what seems to be right for you. Schedules and forms you may need are listed below.

You can get the following items at many banks, post offices, and public libraries or order them from IRS:

Form 1040, U.S. Individual Income Tax Return
Instructions for Form 1040

Form 1040A
Instructions for Form 1040A

Form 1040EZ
Instructions for Form 1040EZ

Schedule A for itemized deductions

Schedule B for interest income if more than \$400 or if from All-Savers Certificates, for dividends and other distributions on stock if more than \$400, and for answering the Foreign Accounts or Foreign Trusts Questions

Schedule G for income averaging

Schedule W for the deduction for a married couple when both work

You can photocopy the following items (as well as those listed above) at many public libraries or order them from IRS:

Schedule C for income from a personally owned business

Schedule D for income from the sale or exchange of capital assets

Schedule E for income from rents, royalties, partnerships, estates, trusts, etc.

Schedule F for income from farming

Schedules R&RP credit for the elderly

Schedule SE for reporting net earnings from self-employment

Form 1040-ES to make estimated tax payments

Form 2106, Employee Business Expenses

Form 2119, Sale or Exchange of Principal Residence

Form 2210, Underpayment of Estimated Tax by Individuals

Form 2441, Credit for Child and Dependent Care Expenses

Form 3468, Computation of Investment Credit

Form 3903, Moving Expense Adjustment

Form 4136, Computation of Credit for Federal Tax on Gasoline, Special Fuels, and Lubricating Oil

Form 4562, Depreciation and Amortization

Form 4684, Casualties and Thefts

Form 4797, Supplemental Schedule of Gains and Losses

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

Form 5695, Residential Energy Credit

How to Get Publications

You can read or photocopy the following publications at many public libraries or order them from IRS:

- 17 Your Federal Income Tax
- 54 Tax Guide for U.S. Citizens Abroad
- 334 Tax Guide for Small Business
- 463 Travel, Entertainment, and Gift Expenses
- 501 Exemptions
- 502 Medical and Dental Expenses
- 503 Child and Disabled Dependent Care
- 504 Tax Information for Divorced or Separated Individuals
- 505 Tax Withholding and Estimated Tax
- 506 Income Averaging
- 508 Educational Expenses
- 521 Moving Expenses
- 522 Disability Payments
- 523 Tax Information on Selling Your Home
- 524 Credit for the Elderly
- 525 Taxable and Nontaxable Income
- 526 Charitable Contributions
- 527 Rental Property
- 529 Miscellaneous Deductions
- 530 Tax Information for Homeowners
- 531 Reporting Income From Tips
- 533 Self-Employment Tax
- 545 Interest Expense
- 547 Tax Information on Disasters, Casualties, and Thefts
- 550 Investment Income and Expenses
- 552 Recordkeeping for Individuals and a List of Tax Publications
- 553 Highlights of 1982 Tax Changes
- 554 Tax Benefits for Older Americans
- 575 Pension and Annuity Income
- 583 Information for Business Taxpayers
- 587 Business Use of Your Home
- 590 Tax Information on Individual Retirement Arrangements
- 596 Earned Income Credit
- 903 Energy Credits for Individuals
- 905 Tax Information on Unemployment Compensation
- 907 Tax Information for Handicapped and Disabled Individuals
- 910 Taxpayer's Guide to IRS Information and Assistance

Other publications and forms referred to in the instructions are available without cost from the "Forms Distribution Center" for your state.

Where to Send Your Order for Free Forms and Publications

Please send your order to the "Forms Distribution Center" for your State. If there is more than one Center for your State, send the order to the Center nearest you.

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Arizona—P.O. Box 12626, Fresno, CA 93778
Arkansas—P.O. Box 2924, Austin, TX 78769
California—P.O. Box 12626, Fresno, CA 93778
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Washington—P.O. Box 12626, Fresno, CA 93778
West Virginia—P.O. Box 636, Florence, KY 41042
Wisconsin—6000 Manchester Trafficway Terrace, Kansas City, MO 64130
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Foreign Addresses—Taxpayers with mailing addresses in foreign countries should send this order blank to either: Forms Distribution Center, Caller No. 848, Atlanta, GA 30370 or Forms Distribution Center, P.O. Box 12626, Fresno, CA 93778, whichever is closer. Send letter requests for other forms and publications to: Director, Foreign Operations District, Internal Revenue Service, Washington, DC 20225.

Puerto Rico—Director's Representative, U.S. Internal Revenue Service, Federal Office Building, Chardon Street, Hato Rey, PR 00918

Virgin Islands—Department of Finance, Tax Division, Charlotte Amalie, St. Thomas, VI 00801

Order Blank—The forms and publications listed here are available at no cost. We will send you 2 copies of each form and 1 copy of each set of instructions or publication you circle. Please cut the order blank on the dotted line and be sure to write your name and address on the other side. Enclose this order blank in your own envelope and address your envelope to the IRS address shown above for your State. To help reduce waste, please order only the forms and publications you think you will need to prepare your return. If you need Publication 17 or Publication 334, please write the number(s) in the blank box to the right. Attach a separate sheet of paper listing the additional forms and publications you may need which are not listed on the order blank. Be sure to allow 10 days to receive your order.

Circle Desired Forms and Publications			1040-ES (1983)	3903	4868	Pub. 506	Pub. 530
				2106	4136	5695	Pub. 521	Pub. 545
1040	Schedules A & B (1040)	Schedule G (1040)	2119	4562	Pub. 463	Pub. 523	Pub. 552
Instructions for 1040 & Schedules	Schedule C (1040)	Schedules R&RP (1040)	2210	4562 Instructions	Pub. 501	Pub. 524	Pub. 553
1040A	Schedule D (1040)	Instructions for R&RP	2441	4684	Pub. 502	Pub. 526	Pub. 554
1040EZ	Schedule E (1040)	Schedule SE (1040)	3468	4797	Pub. 503	Pub. 527	Pub. 903
1040A & 1040EZ Instructions	Schedule F (1040)	Schedule W (1040)	3468 Instructions	4797 Instructions	Pub. 504	Pub. 529	

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Save Time! Many public libraries have IRS tax forms available for copying and reference sets of Tax Information Publications. Also, many banks, post offices, and libraries stock Forms 1040, 1040A, 1040EZ, their Instructions, and Schedules A&B, G, and W.