Disaster Losses Kit

for Individuals

Help from the IRS

Publication 2194 (Rev. 4-2009) Catalog Number 24928R Department of the Treasury **Internal Revenue Service** www.irs.gov

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Disaster Losses Kit for Individuals

Introduction

If you were affected by a major disaster or emergency in your area, this Disaster Losses Kit can help you claim unreimbursed casualty losses on property that was destroyed by a natural disaster.

To qualify for disaster loans and grants from other federal agencies, you must have filed all required federal tax returns. IRS understands that many of your tax records may have been lost or destroyed. We can provide copies or transcripts of your previously filed tax returns free of charge, when you submit Form 4506, *Request for Copy of Tax Return*, or Form 4506-T, *Request for Transcript of Tax Return*. Just write the name of the disaster in red at the top of the form before submitting (for example, Hurricane Katrina).

If you need additional forms or publications, there are several ways you can obtain them. You can download forms from www.irs.gov. You can also order forms or publications at no cost by calling 1-800-829-3676. If you need additional tax assistance, please call 1-800-829-1040.

Disaster Information on the Web - To access the latest disaster tax information on www.irs.gov, use the key word "disasters".

Electronic IRS - The number of electronic options available is increasing every year, helping reduce your burden and improve the timeliness and accuracy of tax returns. The Electronic IRS (http://www.irs.gov/efile/article/0,,id=151880,00.html) is a gateway to the many IRS electronic options available. A few of the electronic options include "Where's My Refund?" where you can check the status of your refund, find an IRS e-file provider, check your eligibility for the Earned Income Tax Credit, download tax forms or sign up to pay electronically.

Taxpayer Assistance Center & IRS Hotline - the special toll free disaster hotline is 1-866-562-5227 and can assist with explanations on the type of relief provided by IRS, tax preparation, penalty and interest computations, guidance on how to report a casualty loss on original or amended returns, address change requests, assistance with suppression of notices when applicable, expediting tax refunds, and process Reasonable Cause requests to skip a payment on an installment agreement account. To find a Taxpayer Assistance Center in your area access http://www.irs.gov/localcontacts/index.html on irs.gov or call the IRS Hotline.

***Please be aware that some forms included in this publication may be revised in the future. Please be sure to check our website to download the most current forms at: www.irs.gov. You can also order forms or publications at no cost by calling 1-800-829-3676.**

Choosing a tax preparer - Taxpayers should be very careful when choosing a tax preparer. You should be as careful as you would in choosing a doctor or a lawyer. The most reputable preparers will request to see your records and receipts and will ask you multiple questions to determine your total income and your qualifications for expenses, deductions, and other items. By doing so, they have your best interest in mind and are trying to help you avoid penalties, interest, or additional taxes that could result from later IRS contacts.
While most tax return preparers are professional and honest, taxpayers can use the following tips to choose a preparer who will offer the best service for their tax preparation needs.

• **Ask about service fees.** Avoid preparers who claim they can obtain larger refunds than other preparers, or those who guarantee results or base fees on a percentage of the amount of the refund.

• **Plan Ahead.** Choose a preparer you will be able to contact after the return is filed and one who will be responsive to your needs.

• **Get References.** Ask questions and get references from clients who have used the tax professional before. Were they satisfied with the service received?

• **Research.** Check to see if the preparer has any questionable history with the Better Business Bureau, the state's board of accountancy for CPAs or the state's bar association for attorneys. Find out if the preparer belongs to a professional organization that requires its members to pursue continuing education and also holds them accountable to a code of ethics.

• **Determine if the preparer's credentials meet your needs.** Are they an Enrolled Agent, Certified Public Accountant or Tax Attorney? Only attorneys, CPAs and enrolled agents can represent taxpayers before the IRS in all matters including audits, collection actions and appeals. Other return preparers may represent taxpayers only in audits regarding a return they signed as a preparer.

Report tax fraud and abusive tax preparers - You can report suspected tax fraud and abusive tax preparers to the IRS on Form 3949-A, Information Referral or by sending a letter to Internal Revenue Service, Fresno, CA 93888. Download Form 3949-A from IRS.gov or order by mail at 1-800-829-3676.

IRS Partner Disaster Relief Resources

American Bar Association (ABA)

www.abanet.org/disaster
A resource center for taxpayers in disaster situations provided by ABA.

American Institute of Certified Public Accountants (AICPA)

http://www.aicpa.org/Disaster%20Recovery/disaster_recovery_resources.htm
A central resource for a number of hurricane relief initiatives launched by AICPA.

Association of Latino Professionals in Finance and Accounting (ALPFA)
http://www.alpfa.org/
A central resource for a number of initiatives launched by ALPFA.

National Association of Black Accountants, Inc. (NABA)
http://www.nabainc.org/

National Association of Enrolled Agents (NAEA)
http://www.naea.org/MemberPortal/Advocacy/Comments/NAEA_BreakingIRSNews.htm

National Association of Tax Professionals (NATP)
http://www.natptax.com/

National Society of Accountants (NSA)
http://www.nsacct.org/index.asp?id=607
Disaster relief initiatives and information for NSA members and their clients.

IRS Disaster Hotline-1-866-562-5227

(Monday – Friday from 7:00 am to 10:00 pm local time),
*Please have your own interpreter, if needed, when calling the Hotline number

IRS Disaster Assistance

Federally Declared Disaster Area

You may deduct the loss or partial loss of your home, household goods, and motor vehicles from disaster damage on your individual federal income tax return. If you paid taxes in the tax year immediately preceding the tax year in which the disaster occurred, you can choose to deduct your loss on a Form 1040X *(Amended U.S. Individual Income Tax Return)* for the prior year instead of waiting to file your current year return. This will allow you to receive a refund of some or all of the taxes paid on your prior year return.

What this means to you…

- If you filed a federal income tax return in the preceding tax year and paid federal taxes …
  - You may be able to file an amended return now (or wait until next year) to claim your loss and receive a refund of the amount of taxes paid.
  - You need to itemize using Form 1040 Schedule A.

To claim your losses…

- Make a list of everything you owned and lost
- Determine its original cost (or adjusted basis)
- Determine the fair market value of each item
  - *This is the amount it could have been sold for just before the disaster*
- Determine the present value – *after the disaster*
- Determine insurance or other reimbursements you received or expect to receive

To take advantage of casualty losses and to assist you through this process…

- Get Publication 2194, *Disaster Loss Kit* for individuals or Publication 2194-B *Disaster Loss Kit* for businesses.
- Get computer generated copies of your last year's tax return from the IRS.
- IRS can assist with preparing your amended tax returns.

For additional information and assistance…

- IRS Disaster Assistance Hotline – 1-866-562-5227
  (Monday – Friday from 7:00 am to 10:00 pm local time),
  **Please have your own interpreter, if needed, when calling the Hotline number*
- Visit the website at www.irs.gov or
- Contact your tax professional

IRS
Department of the Treasury
Internal Revenue Service
publish.no.irs.gov
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Internal Revenue Service

Asistencia del *IRS* en Desastres

Declaración Federal en Zona de Desastre

Usted podría deducir en su declaración de impuestos federales sobre el ingreso personal las pérdidas sufridas a consecuencia de un desastre, ya sea por la pérdida parcial o total de su vivienda, los artículos del hogar y de vehículos de motor. Si pagó impuestos en el año tributario inmediatamente anterior al año tributario en el que ocurrió el desastre, usted puede escoger el deducir su pérdida en el Formulario 1040X, *Amended U.S. Individual Income Tax Return* (Declaración enmendada del impuesto sobre el ingreso personal en los Estados Unidos), en inglés, por el año anterior, en lugar de esperar a presentar su declaración para el año actual. Esto le permitirá recibir un reembolso sobre algunos o todos los impuestos pagados en su declaración del año anterior.

Lo que esto significa para usted…

- Si presentó una declaración de impuestos federales sobre el ingreso en el año tributario anterior y pagó impuestos federales…
  - Podría presentar una declaración enmendada ahora (o esperar al año próximo) para reclamar su pérdida y recibir un reembolso por la cantidad de impuestos pagada.
  - Necesita detallar sus deducciones utilizando el Anexo A, del Formulario 1040.

Para reclamar sus pérdidas…

- Haga una lista de todo lo que usted poseía y perdió
- Determine su costo original (o base ajustada)
- Determine el valor normal en el mercado de cada objeto
  - *Esta es la cantidad por la que se pudo haber vendido justo antes del desastre*
- Determine el valor actual – *después del desastre*
- Determine el seguro u otros reembolsos recibidos o que espera recibir

Para aprovechar las pérdidas fortuitas y asistirle en este proceso…

- Obtenga la Publicación 2194, *Disaster Losses Kit for Individuals - Help from the* IRS (Juego de formularios y publicaciones relacionadas con las pérdidas por desastres para personas físicas – ayuda del *IRS*) o Publicación 2194-B, *Disaster Losses Kit for Businesses - Help from the* IRS (Juego de formularios y publicaciones relacionadas con las pérdidas por desastres para negocios – ayuda del *IRS*), ambas en inglés.
- Obtenga copias generadas por computadora de su declaración de impuestos del año anterior del *IRS*.
- El *IRS* puede ayudarle con la preparación de sus declaraciones enmendadas de impuestos.

Para más información y ayuda…

- Llame a la Línea Directa de Ayuda en Desastres del *IRS,* al 1-866-562-5227. *(de lunes a viernes de las 7:00 am a las 10:00 pm, hora local),*
- Visite el sitio web en www.irs.gov/espanol o
- Comuníquese con su profesional de impuestos.

Casualty Losses – Document List

Make Disaster Tax Relief Filing Easy

If you need assistance in preparing your returns, the IRS will help you.

If you are able to provide any of the following information, it will assist the IRS in calculating your casualty loss:

- Complete list of personal and non-real estate items lost in the disaster. **Publication 584,** Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property) and **Publication 584-B,** Business Casualty, Disaster, and Theft Loss Workbook, will assist you in compiling these items. You may also use the lists prepared by FEMA and add the additional Fair Market Value information.

- If available, bring copies of your federal tax returns for the last three years.

- If you claimed a casualty loss on your last year's return or any prior year return, please bring a copy of the amended returns or any other documentation, if available.

- Insurance reimbursement documentation, if applicable.

- All types of Federal Emergency Management Agency's reimbursement documentation, if applicable.

- All Small Business Administration appraisals, if applicable.

- The fair market value of your home and real estate before the casualty.

- Any contractor estimates and repairs or replacement costs to damaged property.

- If you previously elected the standard deduction, bring copies of your prior state tax withholding, real property taxes, personal property, home mortgage interest, and charitable contributions paid in the prior year.

Securing copies of previously filed returns, providing Form W-2 or Form 1099 data, expediting current year return processing, expediting issuance of replacement checks, delaying notices, and waiving penalties are also helpful services the IRS can provide, if needed.

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Reconstructing Your Records

Reconstructing records after a disaster may be essential for tax purposes, getting federal assistance or insurance reimbursement. Records that you need to prove your loss may have been damaged or destroyed in a casualty. While it may not be easy, reconstructing your records may be essential for:

- Tax purposes – You may need to reconstruct your records to prove you have a casualty loss and the amount of the loss. To compute your casualty loss, you need to determine: 1) the decrease in value of the property as a result of the casualty and 2) the adjusted basis of the property (usually the cost of the property and improvements). You may deduct the smaller of these two amounts, minus insurance or other reimbursement. See Publication 547 for further information on figuring your casualty loss deduction.

If you repair damage caused by the casualty, or spend money for cleaning up, keep the repair bills and any other records of what was done and how much it cost. You cannot deduct these costs, but you can use them as a measure of the decrease in fair market value caused by the casualty if the repairs are actually made, are not excessive, are necessary to bring the property back to its condition before the casualty, take care of the damage only, and do not cause the property to be worth more than before the casualty.

- Insurance reimbursement.
- Federal Emergency Management Agency (FEMA) and Small Business Administration aid – The more accurately you estimate your loss, the more loan and grant money there may be available to you.

The following tips may help to reconstruct your records to prove loss of personal-use or business property:

Personal Residence/Real Property

- Be sure to take photographs as quickly as possible after the casualty to establish the extent of the damage.
- Contact the title company, escrow company or bank that handled the purchase to obtain copies of escrow papers. Your real estate broker may also be able to help.
- Use the current property tax statement for land vs. building ratios, if available; if not available, get copies from the county assessor's office.
- Check with appraisal companies to locate a library of old multiple listing books. These can be used for "comps" to establish a basis or fair market value. "Comps" are comparable sales within the same neighborhood.
- Check with your mortgage company for copies of any appraisals or other information they may have about cost or fair market value.
- Tax records – Immediately after the casualty, file Form 4506, Request for Copy of Tax Return, to request copies of the previous four years of income tax returns. To obtain copies of the previous four years of transcripts you may file a Form 4506-T, Request for Transcripts of a Tax Return. Write the appropriate disaster designation, such as "HURRICANE KATRINA," in red letters across the top of the forms to expedite processing and to waive the normal user fee.
  - Form 4506, Request for Copy of Tax Return
  - Form 4506-T, Request for Transcript of Tax Return
- Insurance Policy – Most policies list the value of the building to establish a base figure for replacement value insurance.
- If you are unsure how to reach your insurance company, check with your state insurance department. http://www.naic.org/state_web_map.htm
- Improvements – Call the contractor(s) to see if records are available. If possible get statements from the contractors verifying their work and cost.
  - Get written accounts from friends and relatives who saw your house before and after any improvements. See if any of them have photos taken at get-togethers.
  - If a home improvement loan was obtained, obtain paperwork from the institution issuing the loan. The amount of the loan may help establish the cost of the improvements.
- Inherited Property – Check court records for probate values. If a trust or estate existed, contact the attorney who handled the estate or trust.
- No other records are available – Check at the county assessor's office for old records about the property. Look for assessed valued and ask for the percentage of assessment to value at the time of purchase. This is a rough guess, but better than no records at all.

Vehicles

Kelly's Blue Book, NADA and Edmunds are available on-line and at most libraries. They are good sources for the current fair market value of most vehicles on the road.

- Call the dealer and ask for a copy of the contract. If not available, give the dealer all the facts and details and ask for a comparable price figure.
- Use newspaper ads for the period in which the vehicle was purchased to determine cost basis. Use ads for the period when it was destroyed for fair market value. Be sure to keep copies of the ads.
- If you're still making payments, check with your lien holder.

Personal Property

The number and types of personal property may make it difficult to reconstruct records. One of the best methods is to draw pictures of each room. Draw a floor plan showing where each piece of furniture was placed. Then show pictures of the room looking toward any shelves or tables. These do not have to be professionally drawn, just functional. Take time to draw shelves with memorabilia on them. Do the same with kitchens and bedrooms. Reconstruct what was there, especially furniture that would have held items — drawers, dressers, shelves. Be sure to include garages, attics and basements.

- Get old catalogs. These catalogs are a great way to establish cost basis and fair market value.
- Check the prices on similar items in your local thrift stores to establish fair market value. Walk through the stores and look at comparable items, especially items such as kitchen gadgets. Look for odds and ends you may have had but forgotten because of infrequent use.
- Use your local "advertiser" as a source for fair market value. Keep copies of the issues handy and copy pages used for specific items to put with your tax records file on the disaster.
- Check local newspaper want ads for similar items. Again keep a copy of any you use for comparison with the tax file.
- If you bought items using a credit card, contact your credit card company.
- Check with your local library for back issues of newspapers. Most libraries keep old issues on microfilm. The sale sections of these back issues may help establish original costs on items such as appliances.
- Go to a used bookstore with a tape measure and the diagram of the destroyed property. Measure several rows of used books and count the number of books per shelf. Add up the prices of those books and determine an average cost per shelf. Then count the number of shelves you had in your home and multiply by the average cost per shelf. This will help determine the value of your books before the loss.

Business Records

- Inventories – Get copies of invoices from suppliers. Whenever possible, the invoices should date back at least one calendar year.
- Income – Get copies of bank statements. The deposits should closely reflect what the sales were for any given time period.
  - Obtain copies of last year's federal, state and local tax returns including sales tax reports, payroll tax returns and business licenses (from city or county). These will reflect gross sales for a given time period.
- Furniture and fixtures – Sketch an outline of the inside and outside of the business location. Then start to fill in the details of the sketches. (Inside the building — what equipment was where; if a store, where were the products/inventory located. Outside the building — shrubs, parking, signs, awnings, etc.)
  - If you purchased an existing business, go back to the broker for a copy of the purchase agreement. This should detail what was acquired.
  - If the building was constructed for you, contact the contractor for building plans or the county/city planning commissions for copies of any plans.

For assistance and additional information, use these resources:

IRS Disaster Assistance Hotline at 1-866-562-5227 (Monday through Friday from 7 a.m. to 10 p.m. local time).

IRS

Publication 4758 (4-2009) Catalog Number 53057P
Department of the Treasury **Internal Revenue Service** www.irs.gov

Form **4506**

(Rev. October 2008)

Department of the Treasury
Internal Revenue Service

Request for Copy of Tax Return

▶ **Do not sign this form unless all applicable lines have been completed. Read the instructions on page 2.**

▶ **Request may be rejected if the form is incomplete, illegible, or any required line was blank at the time of signature.**

OMB No. 1545-0429

Tip: You may be able to get your tax return or return information from other sources. If you had your tax return completed by a paid preparer, they should be able to provide you a copy of the return. The IRS can provide a **Tax Return Transcript** for many returns free of charge. The transcript provides most of the line entries from the tax return and usually contains the information that a third party (such as a mortgage company) requires. See **Form 4506-T,** Request for Transcript of Tax Return, or you can call 1-800-829-1040 to order a transcript.

1a Name shown on tax return. If a joint return, enter the name shown first.	**1b First social security number on tax return or employer identification number (see instructions)**
2a If a joint return, enter spouse's name shown on tax return.	**2b Second social security number if joint tax return**

3 Current name, address (including apt., room, or suite no.), city, state, and ZIP code

4 Previous address shown on the last return filed if different from line 3

5 If the tax return is to be mailed to a third party (such as a mortgage company), enter the third party's name, address, and telephone number. The IRS has no control over what the third party does with the tax return.

Caution: ***DO NOT SIGN*** *this form if a third party requires you to complete Form 4506, and lines 6 and 7 are blank.*

6 **Tax return requested.** (Form 1040, 1120, 941, etc.) and all attachments as originally submitted to the IRS, including Form(s) W-2, schedules, or amended returns. Copies of Forms 1040, 1040A, and 1040EZ are generally available for 7 years from filing before they are destroyed by law. Other returns may be available for a longer period of time. Enter only one return number. If you need more than one type of return, you must complete another Form 4506. ▶ ____________

Note. *If the copies must be certified for court or administrative proceedings, check here* . . . . ☐

7 **Year or period requested.** Enter the ending date of the year or period, using the mm/dd/yyyy format. If you are requesting more than eight years or periods, you must attach another Form 4506.

/ /	/ /	/ /	/ /
/ /	/ /	/ /	/ /

8 **Fee.** There is a $57 fee for each return requested. **Full payment must be included with your request or it will be rejected. Make your check or money order payable to "United States Treasury." Enter your SSN or EIN and "Form 4506 request" on your check or money order.**

a	Cost for each return	**$** 57.00
b	Number of returns requested on line 7	
c	Total cost. Multiply line 8a by line 8b	**$**

9 If we cannot find the tax return, we will refund the fee. If the refund should go to the third party listed on line 5, check here . . ☐

Signature of taxpayer(s). I declare that I am either the taxpayer whose name is shown on line 1a or 2a, or a person authorized to obtain the tax return requested. If the request applies to a joint return, **either** husband or wife must sign. If signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, trustee, or party other than the taxpayer, I certify that I have the authority to execute Form 4506 on behalf of the taxpayer.

Telephone number of taxpayer on line 1a or 2a
(   )

Sign Here

Signature (see instructions) | Date

Title (if line 1a above is a corporation, partnership, estate, or trust)

Spouse's signature | Date

For Privacy Act and Paperwork Reduction Act Notice, see page 2. Cat. No. 41721E Form 4506 (Rev. 10-2008)

General Instructions

Section references are to the Internal Revenue Code.

Purpose of form. Use Form 4506 to request a copy of your tax return. You can also designate a third party to receive the tax return. See line 5.

How long will it take? It may take up to 60 calendar days for us to process your request.

Tip. Use Form 4506-T, Request for Transcript of Tax Return, to request tax return transcripts, tax account information, W-2 information, 1099 information, verification of non-filing, and record of account.

Where to file. Attach payment and mail Form 4506 to the address below for the state you lived in, or the state your business was in, when that return was filed. There are two address charts: one for individual returns (Form 1040 series) and one for all other returns.

If you are requesting a return for more than one year and the chart below shows two different RAIVS teams, send your request to the team based on the address of your most recent return.

Note. *You can also call 1-800-829-1040 to request a transcript or get more information.*

Chart for individual returns (Form 1040 series)

If you filed an individual return and lived in:	Mail to the "Internal Revenue Service" at:
District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New York, Vermont	RAIVS Team Stop 679 Andover, MA 05501
Alabama, Delaware, Florida, Georgia, North Carolina, Rhode Island, South Carolina, Virginia	RAIVS Team P.O. Box 47-421 Stop 91 Doraville, GA 30362
Kentucky, Louisiana, Mississippi, Tennessee, Texas, a foreign country, or A.P.O. or F.P.O. address	RAIVS Team Stop 6716 AUSC Austin, TX 73301
Alaska, Arizona, California, Colorado, Hawaii, Idaho, Iowa, Kansas, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington, Wisconsin, Wyoming	RAIVS Team Stop 37106 Fresno, CA 93888
Arkansas, Connecticut, Illinois, Indiana, Michigan, Missouri, New Jersey, Ohio, Pennsylvania, West Virginia	RAIVS Team Stop 6705–S-2 Kansas City, MO 64999

Chart for all other returns

If you lived in or your business was in:	Mail to the "Internal Revenue Service" at:
Alabama, Alaska, Arizona, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Idaho, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Utah, Washington, Wyoming, a foreign country, or A.P.O. or F.P.O. address	RAIVS Team P.O. Box 9941 Mail Stop 6734 Ogden, UT 84409
Connecticut, Delaware, District of Columbia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Vermont, Virginia, West Virginia, Wisconsin	RAIVS Team P.O. Box 145500 Stop 2800 F Cincinnati, OH 45250

Specific Instructions

Line 1b. Enter your employer identification number (EIN) if you are requesting a copy of a business return. Otherwise, enter the first social security number (SSN) shown on the return. For example, if you are requesting Form 1040 that includes Schedule C (Form 1040), enter your SSN.

Signature and date. Form 4506 must be signed and dated by the taxpayer listed on line 1a or 2a. If you completed line 5 requesting the return be sent to a third party, the IRS must receive Form 4506 within 60 days of the date signed by the taxpayer or it will be rejected.

Individuals. Copies of jointly filed tax returns may be furnished to either spouse. Only one signature is required. Sign Form 4506 exactly as your name appeared on the original return. If you changed your name, also sign your current name.

Corporations. Generally, Form 4506 can be signed by: (1) an officer having legal authority to bind the corporation, (2) any person designated by the board of directors or other governing body, or (3) any officer or employee on written request by any principal officer and attested to by the secretary or other officer.

Partnerships. Generally, Form 4506 can be signed by any person who was a member of the partnership during any part of the tax period requested on line 7.

All others. See section 6103(e) if the taxpayer has died, is insolvent, is a dissolved corporation, or if a trustee, guardian, executor, receiver, or administrator is acting for the taxpayer.

Documentation. For entities other than individuals, you must attach the authorization document. For example, this could be the letter from the principal officer authorizing an employee of the corporation or the Letters Testamentary authorizing an individual to act for an estate.

Signature by a representative. A representative can sign Form 4506 for a taxpayer only if this authority has been specifically delegated to the representative on Form 2848, line 5. Form 2848 showing the delegation must be attached to Form 4506.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to establish your right to gain access to the requested return(s) under the Internal Revenue Code. We need this information to properly identify the return(s) and respond to your request. Sections 6103 and 6109 require you to provide this information, including your SSN or EIN, to process your request. If you do not provide this information, we may not be able to process your request. Providing false or fraudulent information may subject you to penalties.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and cities, states, and the District of Columbia for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file Form 4506 will vary depending on individual circumstances. The estimated average time is: **Learning about the law or the form,** 10 min.; **Preparing the form,** 16 min.; and **Copying, assembling, and sending the form to the IRS,** 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making Form 4506 simpler, we would be happy to hear from you. You can write to Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the form to this address. Instead, see *Where to file* on this page.

Form **4506-T**

(Rev. January 2008)

Department of the Treasury
Internal Revenue Service

Request for Transcript of Tax Return

► **Do not sign this form unless all applicable lines have been completed. Read the instructions on page 2.**

► **Request may be rejected if the form is incomplete, illegible, or any required line was blank at the time of signature.**

OMB No. 1545-1872

Tip: Use Form 4506-T to order a transcript or other return information free of charge. See the product list below. You can also call 1-800-829-1040 to order a transcript. If you need a copy of your return, use **Form 4506,** Request for Copy of Tax Return. There is a fee to get a copy of your return.

1a Name shown on tax return. If a joint return, enter the name shown first.

1b First social security number on tax return or employer identification number (see instructions)

2a If a joint return, enter spouse's name shown on tax return

2b Second social security number if joint tax return

3 Current name, address (including apt., room, or suite no.), city, state, and ZIP code

4 Previous address shown on the last return filed if different from line 3

5 If the transcript or tax information is to be mailed to a third party (such as a mortgage company), enter the third party's name, address, and telephone number. The IRS has no control over what the third party does with the tax information.

Caution: ***DO NOT SIGN*** *this form if a third party requires you to complete Form 4506-T, and lines 6 and 9 are blank.*

6 Transcript requested. Enter the tax form number here (1040, 1065, 1120, etc.) and check the appropriate box below. Enter only one tax form number per request. ► ____________

a Return Transcript, which includes most of the line items of a tax return as filed with the IRS. Transcripts are only available for the following returns: Form 1040 series, Form 1065, Form 1120, Form 1120A, Form 1120H, Form 1120L, and Form 1120S. Return transcripts are available for the current year and returns processed during the prior 3 processing years. Most requests will be processed within 10 business days . . . ☐

b Account Transcript, which contains information on the financial status of the account, such as payments made on the account, penalty assessments, and adjustments made by you or the IRS after the return was filed. Return information is limited to items such as tax liability and estimated tax payments. Account transcripts are available for most returns. Most requests will be processed within 30 calendar days . ☐

c Record of Account, which is a combination of line item information and later adjustments to the account. Available for current year and 3 prior tax years. Most requests will be processed within 30 calendar days . . . ☐

7 Verification of Nonfiling, which is proof from the IRS that you **did not** file a return for the year. Most requests will be processed within 10 business days . . . ☐

8 Form W-2, Form 1099 series, Form 1098 series, or Form 5498 series transcript. The IRS can provide a transcript that includes data from these information returns. State or local information is not included with the Form W-2 information. The IRS may be able to provide this transcript information for up to 10 years. Information for the current year is generally not available until the year after it is filed with the IRS. For example, W-2 information for 2006, filed in 2007, will not be available from the IRS until 2008. If you need W-2 information for retirement purposes, you should contact the Social Security Administration at 1-800-772-1213. Most requests will be processed within 45 days . . . ☐

Caution: *If you need a copy of Form W-2 or Form 1099, you should first contact the payer. To get a copy of the Form W-2 or Form 1099 filed with your return, you must use Form 4506 and request a copy of your return, which includes all attachments.*

9 Year or period requested. Enter the ending date of the year or period, using the mm/dd/yyyy format. If you are requesting more than four years or periods, you must attach another Form 4506-T. For requests relating to quarterly tax returns, such as Form 941, you must enter each quarter or tax period separately.

___ / ___ / ______   ___ / ___ / ______   ___ / ___ / ______   ___ / ___ / ______

Signature of taxpayer(s). I declare that I am either the taxpayer whose name is shown on line 1a or 2a, or a person authorized to obtain the tax information requested. If the request applies to a joint return, **either** husband or wife must sign. If signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, trustee, or party other than the taxpayer, I certify that I have the authority to execute Form 4506-T on behalf of the taxpayer.

Telephone number of taxpayer on line 1a or 2a

(   )

Sign Here

Signature (see instructions) — Date

Title (if line 1a above is a corporation, partnership, estate, or trust)

Spouse's signature — Date

For Privacy Act and Paperwork Reduction Act Notice, see page 2. Cat. No. 37667N Form 4506-T (Rev. 1-2008)

General Instructions

Purpose of form. Use Form 4506-T to request tax return information. You can also designate a third party to receive the information. See line 5.

Tip. Use Form 4506, Request for Copy of Tax Return, to request copies of tax returns.

Where to file. Mail or fax Form 4506-T to the address below for the state you lived in, or the state your business was in, when that return was filed. There are two address charts: one for individual transcripts (Form 1040 series and Form W-2) and one for all other transcripts.

If you are requesting more than one transcript or other product and the chart below shows two different RAIVS teams, send your request to the team based on the address of your most recent return.

Note. *You can also call 1-800-829-1040 to request a transcript or get more information.*

Chart for individual transcripts (Form 1040 series and Form W-2)

If you filed an individual return and lived in:	Mail or fax to the "Internal Revenue Service" at:
District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New York, Vermont	RAIVS Team Stop 679 Andover, MA 05501 978-247-9255
Alabama, Delaware, Florida, Georgia, North Carolina, Rhode Island, South Carolina, Virginia	RAIVS Team P.O. Box 47-421 Stop 91 Doraville, GA 30362 770-455-2335
Kentucky, Louisiana, Mississippi, Tennessee, Texas, a foreign country, or A.P.O. or F.P.O. address	RAIVS Team Stop 6716 AUSC Austin, TX 73301 512-460-2272
Alaska, Arizona, California, Colorado, Hawaii, Idaho, Iowa, Kansas, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington, Wisconsin, Wyoming	RAIVS Team Stop 37106 Fresno, CA 93888 559-456-5876
Arkansas, Connecticut, Illinois, Indiana, Michigan, Missouri, New Jersey, Ohio, Pennsylvania, West Virginia	RAIVS Team Stop 6705–B41 Kansas City, MO 64999 816-292-6102

Chart for all other transcripts

If you lived in or your business was in:	Mail or fax to the "Internal Revenue Service" at:
Alabama, Alaska, Arizona, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Idaho, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Utah, Washington, Wyoming, a foreign country, or A.P.O. or F.P.O. address	RAIVS Team P.O. Box 9941 Mail Stop 6734 Ogden, UT 84409 801-620-6922
Connecticut, Delaware, District of Columbia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Vermont, Virginia, West Virginia, Wisconsin	RAIVS Team P.O. Box 145500 Stop 2800 F Cincinnati, OH 45250 859-669-3592

Line 1b. Enter your employer identification number (EIN) if your request relates to a business return. Otherwise, enter the first social security number (SSN) shown on the return. For example, if you are requesting Form 1040 that includes Schedule C (Form 1040), enter your SSN.

Line 6. Enter only one tax form number per request.

Signature and date. Form 4506-T must be signed and dated by the taxpayer listed on line 1a or 2a. If you completed line 5 requesting the information be sent to a third party, the IRS must receive Form 4506-T within 60 days of the date signed by the taxpayer or it will be rejected.

Individuals. Transcripts of jointly filed tax returns may be furnished to either spouse. Only one signature is required. Sign Form 4506-T exactly as your name appeared on the original return. If you changed your name, also sign your current name.

Corporations. Generally, Form 4506-T can be signed by: (1) an officer having legal authority to bind the corporation, (2) any person designated by the board of directors or other governing body, or (3) any officer or employee on written request by any principal officer and attested to by the secretary or other officer.

Partnerships. Generally, Form 4506-T can be signed by any person who was a member of the partnership during any part of the tax period requested on line 9.

All others. See Internal Revenue Code section 6103(e) if the taxpayer has died, is insolvent, is a dissolved corporation, or if a trustee, guardian, executor, receiver, or administrator is acting for the taxpayer.

Documentation. For entities other than individuals, you must attach the authorization document. For example, this could be the letter from the principal officer authorizing an employee of the corporation or the Letters Testamentary authorizing an individual to act for an estate.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to establish your right to gain access to the requested tax information under the Internal Revenue Code. We need this information to properly identify the tax information and respond to your request. Sections 6103 and 6109 require you to provide this information, including your SSN or EIN. If you do not provide this information, we may not be able to process your request. Providing false or fraudulent information may subject you to penalties.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and cities, states, and the District of Columbia for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file Form 4506-T will vary depending on individual circumstances. The estimated average time is: **Learning about the law or the form,** 10 min.; **Preparing the form,** 12 min.; and **Copying, assembling, and sending the form to the IRS,** 20 min.

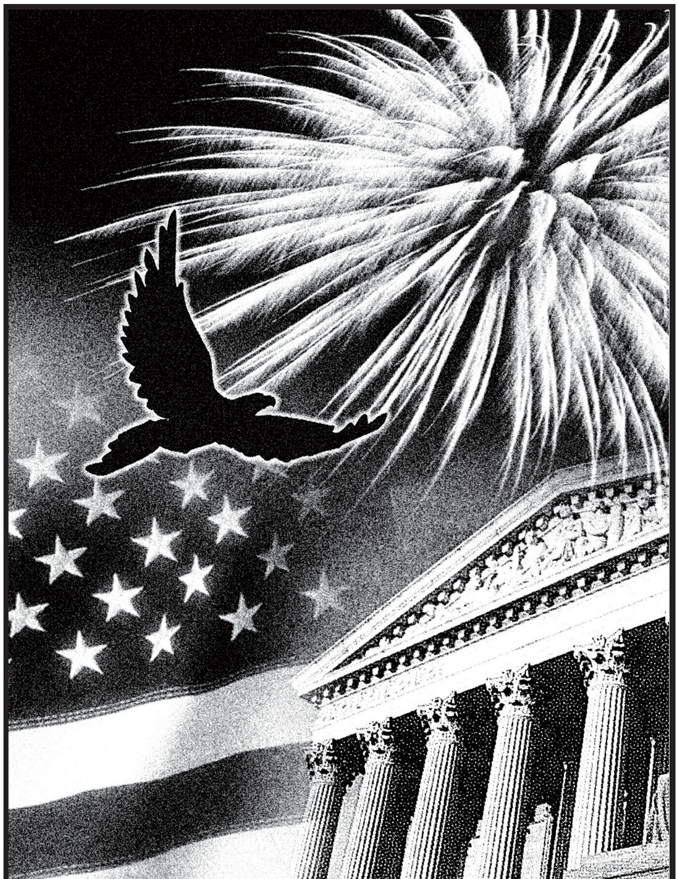
If you have comments concerning the accuracy of these time estimates or suggestions for making Form 4506-T simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the form to this address. Instead, see *Where to file* on this page.

Department of the Treasury
Internal Revenue Service

Publication 584
(Rev. December 2008)
Cat. No. 15151M

Casualty, Disaster, and Theft Loss Workbook

(Personal-Use Property)



Get forms and other information faster and easier by:

Internet www.irs.gov

What's New for 2008

Waiver of $100 and 10% of adjusted gross income limits. The $100 and 10% of adjusted gross income limits do not apply to losses of personal use property that arose in the Kansas disaster area or a Midwestern disaster area. The 10% limit does not apply to losses of personal use property attributable to federally declared disasters declared in tax years beginning after 2007 and that occur before 2010. (The $100 limit, however, does apply.) See *Deduction limits* later. For more information about these disasters, see Publication 547.

What's New for 2009

Increase in $100 personal casualty and theft loss limit. Generally, a personal casualty or theft loss must exceed $500 to be allowed for 2009. This is in addition to the 10% of adjusted gross income limit that generally applies to the net loss.

Introduction

This workbook is designed to help you figure your loss on personal-use property in the event of a disaster, casualty, or theft. It contains schedules to help you figure the loss to your main home, its contents, and your motor vehicles. However, these schedules are for your information only. You must complete Form 4684, Casualties and Thefts, to report your loss.

How To Use This Workbook

You can use this workbook by following these five steps.

1. Read Publication 547 to learn about the tax rules for casualties, disasters, and thefts.
2. Know the definitions of cost or other basis and fair market value, discussed later.
3. Fill out Schedules 1 through 20.
4. Read the instructions for Form 4684.
5. Fill out Form 4684 using the information you entered in Schedules 1 through 20.

Use the chart below to find out how to use Schedules 1 through 19 to fill out Form 4684.

Take what's in each row of...	And enter it on Form 4684...
Column 1	Line 1
Column 2	Line 2
Column 3	Line 3
Column 4	Line 4
Column 5	Line 5
Column 6	Line 6
Column 7	Line 7

Dec 19, 2008

Column 8	Line 8
Column 9	Line 9

Losses

Generally, you may deduct losses to your home, household goods, and motor vehicles on your federal income tax return. However, you may not deduct a casualty or theft loss that is covered by insurance unless you filed a timely insurance claim for reimbursement. Any reimbursement you receive will reduce the loss. If you did not file an insurance claim, you may deduct only the part of the loss that was not covered by insurance.

Amount of loss. You figure the amount of your loss using the following steps.

1. Determine your cost or other basis in the property before the casualty or theft.
2. Determine the decrease in fair market value (FMV) of the property as a result of the casualty or theft. (The decrease in FMV is the difference between the property's value immediately before and immediately after the casualty or theft.)
3. From the smaller of the amounts you determined in (1) and (2), subtract any insurance or other reimbursement you received or expect to receive.

Apply the deduction limits, discussed later, to determine the amount of your deductible loss.

Cost or other basis. Cost or other basis usually means original cost plus improvements. If you did not acquire the property by purchasing it, your basis is determined as discussed in Publication 551, Basis of Assets.

Fair market value. FMV is the price for which you could sell your property to a willing buyer, when neither of you has to sell or buy and both of you know all the relevant facts. When filling out Schedules 1 through 20, you need to know the FMV of the property immediately before and immediately after the disaster, casualty, or theft.

Separate computations. Generally, if a single casualty or theft involves more than one item of property, you must figure the loss on each item separately. Then combine the losses to determine the total loss from that casualty or theft.

Exception for personal-use real property. In figuring a casualty loss on personal-use real property, the entire property (including any improvements, such as buildings, trees, and shrubs) is treated as one item. Figure the loss using the smaller of the following.

- The decrease in FMV of the entire property.
- The adjusted basis of the entire property.

Deduction limits. After you have figured the amount of your loss, as discussed earlier, you must figure how much of the loss you can deduct. You do this on Form 4684, section A. If the loss was to property for your personal use or your family's, there are two limits on the amount you can deduct for your casualty or theft loss.

1. You must reduce each casualty or theft loss by $100 ($100 rule). (This amount increases to $500 for 2009.)
2. You must further reduce the total of all your losses by 10% of your adjusted gross income (10% rule).

The above limits do not apply if your loss arose in the Kansas disaster area or a Midwestern disaster area. Furthermore, the 10% limit does not apply if your loss is a net disaster loss attributable to a federally declared disaster. (The limit in (1) above does apply.)

More information. For more information about the deduction limits, see Publication 547.

When your loss is deductible. You can generally deduct a casualty or disaster area loss only in the tax year in which the casualty or disaster occurred. You can generally deduct a theft loss only in the year you discovered your property was stolen. However, you can choose to deduct disaster area losses on your return for the year immediately before the year of the disaster if the President has declared your area a federal disaster area. For details, see *Disaster Area Losses* in Publication 547.

Comments and Suggestions

We welcome your comments about this publication and your suggestions for future editions.

You can write to us at the following address:

Internal Revenue Service
Individual Forms and Publications Branch
SE:W:CAR:MP:T:I
1111 Constitution Ave. NW, IR-6526
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can email us at **taxforms@irs.gov*. (The asterisk must be included in the address.) Please put "Publications Comment" on the subject line. Although we cannot respond individually to each email, we do appreciate your feedback and will consider your comments as we revise our tax products.

Ordering forms and publications. Visit *www.irs.gov/formspubs* to download forms and publications, call 1-800-829-3676, or write to the address below and receive a response within 10 days after your request is received.

Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61705-6613

Tax questions. If you have a tax question, check the information available on *www.irs.gov* or call 1-800-829-1040. We cannot answer tax questions sent to either of the above addresses.

How To Get Tax Help

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Contacting your Taxpayer Advocate. The Taxpayer Advocate Service (TAS) is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should.

You can contact the TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059 to see if you are eligible for assistance. You can also call or write your local taxpayer advocate, whose phone number and address are listed in your local telephone directory and in Publication 1546, Taxpayer Advocate Service—Your Voice at the IRS. You can file Form 911, Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order), or ask an IRS employee to complete it on your behalf. For more information, go to *www.irs.gov/advocate*.

Low Income Taxpayer Clinics (LITCs). LITCs are independent organizations that provide low income taxpayers with representation in federal tax controversies with the IRS for free or for a nominal charge. The clinics also provide tax education and outreach for taxpayers who speak English as a second language. Publication 4134, Low Income Taxpayer Clinic List, provides information on clinics in your area. It is available at *www.irs.gov* or your local IRS office.

Free tax services. To find out what services are available, get Publication 910, IRS Guide to Free Tax Services. It contains lists of free tax information sources, including publications, services, and free tax education and assistance programs. It also has an index of over 100 TeleTax topics (recorded tax information) you can listen to on your telephone.

Accessible versions of IRS published products are available on request in a variety of alternative formats for people with disabilities.

Free help with your return. Free help in preparing your return is available nationwide from IRS-trained volunteers. The Volunteer Income Tax Assistance (VITA) program is designed to help low-income taxpayers and the Tax Counseling for the Elderly (TCE) program is designed to assist taxpayers age 60 and older with their tax returns. Many VITA sites offer free electronic filing and all volunteers will let you know about credits and deductions you may be entitled to claim. To find the nearest VITA or TCE site, call 1-800-829-1040.

As part of the TCE program, AARP offers the Tax-Aide counseling program. To find the nearest AARP Tax-Aide site, call 1-888-227-7669 or visit AARP's website at *www.aarp.org/money/taxaide*.

For more information on these programs, go to *www.irs.gov* and enter keyword "VITA" in the upper right-hand corner.

Internet. You can access the IRS website at *www.irs.gov* 24 hours a day, 7 days a week to:

- *E-file* your return. Find out about commercial tax preparation and *e-file* services available free to eligible taxpayers.
- Check the status of your 2008 refund. Go to *www.irs.gov* and click on *Where's My Refund*. Wait at least 72 hours after the IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after mailing a paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2008 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund.
- Download forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Figure your withholding allowances using the withholding calculator online at *www.irs.gov/individuals*.
- Determine if Form 6251 must be filed by using our Alternative Minimum Tax (AMT) Assistant.
- Sign up to receive local and national tax news by email.
- Get information on starting and operating a small business.

Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call 1-800-829-3676 to order current-year forms, instructions, and publications, and prior-year forms and instructions. You should receive your order within 10 days.
- *Asking tax questions.* Call the IRS with your tax questions at 1-800-829-1040.
- *Solving problems.* You can get face-to-face help solving tax problems every business day in IRS Taxpayer Assistance Centers. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to *www.irs.gov/localcontacts* or look in the phone book under *United States Government, Internal Revenue Service*.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call 1-800-829-4477 to listen to pre-recorded messages covering various tax topics.
- *Refund information.* To check the status of your 2008 refund, call 1-800-829-1954 during business hours or 1-800-829-4477 (automated refund information 24 hours a day, 7 days a week). Wait at least 72 hours after the IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after mailing a paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2008 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund. Refunds are sent out weekly on Fridays. If you check the status of your refund and are not given the date it will be issued, please wait until the next week before checking back.
- *Other refund information.* To check the status of a prior year refund or amended return refund, call 1-800-829-1954.

Evaluating the quality of our telephone services. To ensure IRS representatives give accurate, courteous, and professional answers, we use several methods to evaluate the quality of our telephone services. One method is for a second IRS representative to listen in on or record random telephone calls. Another is to ask some callers to complete a short survey at the end of the call.

Walk-in. Many products and services are available on a walk-in basis.

- *Products.* You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, grocery stores, copy centers, city and county government offices, credit unions, and office supply stores have a collection of products available to print from a CD or photocopy from reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.
- *Services.* You can walk in to your local Taxpayer Assistance Center every business day for personal, face-to-face tax help. An employee can explain IRS letters, request adjustments to your tax account, or help you set up a payment plan. If you need to resolve a tax problem, have questions about how the tax law applies to your individual tax return, or you are more comfortable talking with someone in person, visit your local Taxpayer Assistance Center where you can spread out your records and talk with an IRS representative face-to-face. No appointment is necessary—just walk in. If you prefer, you can call your local Center and leave a message requesting an appointment to resolve a tax account issue. A representative will call you back within 2 business days to schedule an in-person appointment at your convenience. If you have an ongoing, complex tax account problem or a special need, such as a disability, an appointment can be requested. All other issues will be handled without an appointment. To find the number of your local office, go to *www.irs.gov/localcontacts* or look in the phone book under *United States Government, Internal Revenue Service*.

Mail. You can send your order for forms, instructions, and publications to the address below. You should receive a response within 10 days after your request is received.

Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61705-6613

CD/DVD for tax products. You can order Publication 1796, IRS Tax Products DVD, and obtain:

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions.
- Tax Topics from the IRS telephone response system.
- Internal Revenue Code—Title 26 of the U.S. Code.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- Two releases during the year.
  – The first release will ship the beginning of January 2009.
  – The final release will ship the beginning of March 2009.

Purchase the DVD from National Technical Information Service (NTIS) at *www.irs.gov/cdorders* for $30 (no handling fee) or call 1-877-233-6767 toll free to buy the DVD for $30 (plus a $6 handling fee). The price is discounted to $25 for orders placed prior to December 1, 2008.

Small Business Resource Guide 2009. This online guide is a must for every small business owner or any taxpayer about to start a business. This year's guide includes:

- Helpful information, such as how to prepare a business plan, find financing for your business, and much more.
- All the business tax forms, instructions, and publications needed to successfully manage a business.
- Tax law changes for 2009.
- Tax Map: an electronic research tool and finding aid.

- Web links to various government agencies, business associations, and IRS organizations.
- “Rate the Product” survey—your opportunity to suggest changes for future editions.
- A site map of the guide to help you navigate the pages with ease.
- An interactive “Teens in Biz” module that gives practical tips for teens about starting their own business, creating a business plan, and filing taxes.

The information is updated during the year. Visit *www.irs.gov* and enter keyword “SBRG” in the upper right-hand corner for more information.

Schedule 1. **Entrance Hall**

(1) Item	(2) Cost or other basis	(3) Insurance or other reimbursement	(4) Gain from casualty or theft[1]	(5) Fair market value before casualty	(6) Fair market value after casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft loss (column (8) minus column (3))[2]
Example:								
Chair	350.00	200.00	.00	275.00	.00	275.00	275.00	75.00
Clock	90.00	.00	.00	60.00	.00	60.00	60.00	60.00
Chair								
Clock								
Curtains								
Draperies								
Lamp								
Mirror								
Picture								
Rug								
Table								
Umbrella stand								
Wall fixture								

[1] **If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.**
[2] **If zero or less, enter -0-.**

Schedule 2. **Living Room**

(1) Item	(2) Cost or other basis	(3) Insurance or other reimbursement	(4) Gain from casualty or theft [1]	(5) Fair market value before casualty	(6) Fair market value after casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft loss (column (8) minus column (3)) [2]
Accessories								
Blinds								
Bookcase								
Book								
Chair								
Chest								
Clock								
Coffee table								
Curtains								
Desk								
Draperies								
Fireplace hardware								
Lamp								
Magazine rack								
Mirror								
Piano								
Picture								
Pillow								
Radio								
Rug & pad								
Shades								
Shutters								
Sofa								
Stereo								
Television								
Wall fixture								

[1] **If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.**
[2] **If zero or less, enter -0-.**

Schedule 3. **Dining Room**

(1) Item	(2) Cost or other basis	(3) Insurance or other reimbursement	(4) Gain from casualty or theft [1]	(5) Fair market value before casualty	(6) Fair market value after casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft loss (column (8) minus column (3)) [2]
Buffet								
Chair								
China cabinet								
Chinaware								
Crystal								
Curtains								
Draperies								
Glassware								
Mirror								
Picture								
Rug & pad								
Silver flatware								
Silver tea set								
Silver items								
Table								
Tea cart								
Wall fixture								

[1] **If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.**
[2] **If zero or less, enter -0-.**

Schedule 4. **Kitchen**

(1) Item	(2) Cost or other basis	(3) Insurance or other reimbursement	(4) Gain from casualty or theft [1]	(5) Fair market value before casualty	(6) Fair market value after casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft loss (column (8) minus column (3)) [2]
Blender								
Broiler								
Canned goods								
Can opener								
Clock								
Coffee maker								
Curtains								
Cutlery								
Dishes								
Dishwasher								
Food processor								
Freezer								
Frozen food								
Glassware								
Ice crusher								
Microwave oven								
Mixer								
Pots and pans								
Radio								
Refrigerator								
Stove								
Table and chairs								
Telephone								
Toaster								
Trash compactor								
Utensils								
Wall accessory								

[1] **If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.**
[2] **If zero or less, enter -0-.**

Schedule 5. **Den**

(1) Item	(2) Cost or other basis	(3) Insurance or other reimbursement	(4) Gain from casualty or theft[1]	(5) Fair market value before casualty	(6) Fair market value after casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft loss (column (8) minus column (3))[2]
Bookcase								
Book								
CD player								
Chair								
Computer								
Clock								
Curtains								
Desk								
Draperies								
DVD player								
Lamp								
Mirror								
Picture								
Pillow								
Radio								
CDs/Records								
Rug & pad								
Telephone								
Sofa								
Stereo								
Table								
Television								
VCR								

[1] **If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.**
[2] **If zero or less, enter -0-.**

Schedule 6. **Bedrooms**

(1) Item	(2) Cost or other basis	(3) Insurance or other reimbursement	(4) Gain from casualty or theft [1]	(5) Fair market value before casualty	(6) Fair market value after casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft loss (column (8) minus column (3)) [2]
Bed cover								
Bed								
Bedside table								
Bureau								
Chair								
Chest								
Clock								
Clothes hamper								
Desk								
Dresser								
Jewelry box								
Lamp								
Linens								
Mirror								
Picture								
Radio								
Rug & pad								
Telephone								
Television								

[1] **If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.**
[2] **If zero or less, enter -0-.**

Schedule 7. **Bathrooms**

(1) Item	(2) Cost or other basis	(3) Insurance or other reimbursement	(4) Gain from casualty or theft [1]	(5) Fair market value before casualty	(6) Fair market value after casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft loss (column (8) minus column (3)) [2]
Bath mat								
Clothes hamper								
Curtains								
Hair dryer								
Linens								
Mirror								
Picture								
Razor								
Scale								
Towel rack								
Wall fixture								

[1] If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.
[2] If zero or less, enter -0-.

Schedule 8. **Recreation Room**

(1) Item	(2) Cost or other basis	(3) Insurance or other reimbursement	(4) Gain from casualty or theft [1]	(5) Fair market value before casualty	(6) Fair market value after casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft loss (column (8) minus column (3)) [2]
Billiard table								
Book								
Card table								
CD player								
Chair								
Clock								
Curtains								
DVD player								
Game								
Lamp								
Picture								
Ping Pong table								
Pool table								
Radio								
CDs/Records								
Rug & pad								
Sofa								
Stereo								
Table								
Television								
VCR								

[1] **If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.**
[2] **If zero or less, enter -0-.**

Schedule 9. **Laundry and Basement**

(1) Item	(2) Cost or other basis	(3) Insurance or other reimbursement	(4) Gain from casualty or theft [1]	(5) Fair market value before casualty	(6) Fair market value after casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft loss (column (8) minus column (3)) [2]
Chair								
Dryer								
Electric iron								
Food freezer								
Ironing board								
Ladder								
Luggage								
Table								
Tool								
Tub								
Washing machine								
Work bench								

[1] **If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.**
[2] **If zero or less, enter -0-.**

Schedule 10. **Garage**

(1) Item	(2) Cost or other basis	(3) Insurance or other reimbursement	(4) Gain from casualty or theft [1]	(5) Fair market value before casualty	(6) Fair market value after casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft loss (column (8) minus column (3)) [2]
Bicycle								
Garden hose								
Garden tool								
Hedger								
Ladder								
Lawn mower								
Snow blower								
Sprayer								
Spreader								
Tiller								
Tool								
Wheelbarrow								

[1] **If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.**
[2] **If zero or less, enter -0-.**

Schedule 11. **Sporting Equipment**

(1) Item	(2) Cost or other basis	(3) Insurance or other reimbursement	(4) Gain from casualty or theft [1]	(5) Fair market value before casualty	(6) Fair market value after casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft loss (column (8) minus column (3)) [2]
Boat & motor								
Camera								
Camping equipment								
Field glasses								
Fishing tackle								
Golf clubs								
Gun								
Lawn game								
Projector								
Tennis racket								

[1] **If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.**
[2] **If zero or less, enter -0-.**

Schedule 12. **Men's Clothing**

(1) Item	(2) Cost or other basis	(3) Insurance or other reimbursement	(4) Gain from casualty or theft [1]	(5) Fair market value before casualty	(6) Fair market value after casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft loss (column (8) minus column (3)) [2]
Belt								
Boots								
Gloves								
Handkerchief								
Hat								
Overcoat								
Raincoat								
Shirt								
Shoes								
Shorts								
Slacks								
Socks								
Sport jacket								
Suit								
Sweater								
Tie								
Underwear								

[1] **If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.**
[2] **If zero or less, enter -0-.**

Schedule 13. **Women's Clothing**

(1) Item	(2) Cost or other basis	(3) Insurance or other reimbursement	(4) Gain from casualty or theft [1]	(5) Fair market value before casualty	(6) Fair market value after casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft loss (column (8) minus column (3)) [2]
Belt								
Blouse								
Boots								
Coat								
Dress								
Fur								
Gloves								
Hat								
Hosiery								
Jacket								
Lingerie								
Scarf								
Shirt								
Shoes								
Skirt								
Slacks								
Suit								
Sweater								

[1] **If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.**
[2] **If zero or less, enter -0-.**

Schedule 14. **Children's Clothing**

(1) Item	(2) Cost or other basis	(3) Insurance or other reimbursement	(4) Gain from casualty or theft[1]	(5) Fair market value before casualty	(6) Fair market value after casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft loss (column (8) minus column (3))[2]
Blouse								
Boots								
Coat								
Dress								
Gloves								
Hat								
Shirt								
Shoes								
Skirt								
Slacks								
Socks								
Sport jacket								
Stockings								
Suit								
Sweater								
Underwear								

[1] **If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.**
[2] **If zero or less, enter -0-.**

Schedule 15. **Jewelry**

(1) Item	(2) Cost or other basis	(3) Insurance or other reimbursement	(4) Gain from casualty or theft [1]	(5) Fair market value before casualty	(6) Fair market value after casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft loss (column (8) minus column (3)) [2]
Bracelet								
Brooch								
Earrings								
Engagement ring								
Necklace								
Pin								
Ring								
Watch								
Wedding ring								

[1] If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.
[2] If zero or less, enter -0-.

Schedule 16. **Electrical Appliances**

(1) Item	(2) Cost or other basis	(3) Insurance or other reimbursement	(4) Gain from casualty or theft [1]	(5) Fair market value before casualty	(6) Fair market value after casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft loss (column (8) minus column (3)) [2]
Air conditioner								
Blanket								
Dehumidifier								
Fan								
Floor polisher								
Grill								
Heating pad								
Humidifier								
Sewing machine								
Sun lamp								
Vacuum cleaner								

[1] **If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.**
[2] **If zero or less, enter -0-.**

Schedule 17. **Linens**

(1) Item	(2) Cost or other basis	(3) Insurance or other reimbursement	(4) Gain from casualty or theft [1]	(5) Fair market value before casualty	(6) Fair market value after casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft loss (column (8) minus column (3)) [2]
Bath mat								
Bedsheet								
Bedspread								
Blanket								
Comforter								
Mattress pad								
Napkins								
Pillow								
Pillowcase								
Placemat								
Quilt								
Tablecloth								
Towel								
Washcloth								

[1] **If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.**
[2] **If zero or less, enter -0-.**

Schedule 18. **Miscellaneous**

(1) Item	(2) Cost or other basis	(3) Insurance or other reimbursement	(4) Gain from casualty or theft [1]	(5) Fair market value before casualty	(6) Fair market value after casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft loss (column (8) minus column (3)) [2]
Barbeque								
Lawn furniture								
Musical instrument								
Outdoor shed								
Picnic set								
Porch furniture								
Sport equipment								
Swing set								
Toy								

[1] **If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.**
[2] **If zero or less, enter -0-.**

Schedule 19. **Motor Vehicles**

(1) Vehicle (year, make and model)	(2) Cost or other basis	(3) Insurance or other reimbursement	(4) Gain from casualty or theft [1]	(5) Fair market value before casualty	(6) Fair market value after casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft loss (column (8) minus column (3)) [2]

[1] **If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.**
[2] **If zero or less, enter -0-.**

Schedule 20. **Home (Excluding Contents)**

Note. If you used the entire property as your home, fill out only column (a). If you used part of the property as your home and part of it for business or to produce rental income, you must allocate the entries on lines 2-9 between the personal part (column (a)) and the business/rental part (column (b)).

		(a) Personal Part	**(b)** Business/ Rental Part
1.	Description of property (Show location and date acquired.) ______ ______		
2.	Cost or other (adjusted) basis of property (from Worksheet A)		
3.	Insurance or other reimbursement **Note.** If line 2 is more than line 3, skip line 4. If line 3 is more than line 2, you exclude gain, and the gain is more than you can exclude, see the instructions for line 3 in the Instructions for Form 4684 for the amount to enter.		
4.	Gain from casualty. If line 3 is more than line 2, enter the difference here and skip lines 5 through 9. But see ***Next*** below line 9.		
5.	Fair market value before casualty		
6.	Fair market value after casualty		
7.	Decrease in fair market value. Subtract line 6 from line 5.		
8.	Enter the smaller of line 2 or line 7 **Note for business/rental part.** If the property was totally destroyed by casualty, enter on line 8, column (b) the amount from line 2, column (b).		
9.	Subtract line 3 from line 8. If zero or less, enter -0-.		

Next: Transfer the entries from line 1 and lines 2-9, column (a), above to the corresponding lines on Form 4684, Section A. Transfer the entries from line 1 and lines 2-9, column (b), to the corresponding lines on Form 4684, Section B.

Worksheet A. **Cost or Other (Adjusted) Basis** *Keep for Your Records*

Caution. *See the* Worksheet A Instructions *before you use this worksheet.*

			(a) Personal Part	(b) Business/ Rental Part
1.	Enter the purchase price of the home damaged or destroyed. (If you filed Form 2119 when you originally acquired that home to postpone gain on the sale of a previous home before May 7, 1997, enter the adjusted basis of the new home from that Form 2119.)	**1.**		
2.	Seller paid points for home bought after 1990. Do not include any seller-paid points you already subtracted to arrive at the amount entered on line 1	**2.**		
3.	Subtract line 2 from line 1	**3.**		
4.	Settlement fees or closing costs. (See *Settlement costs* in Publication 551.) If line 1 includes the adjusted basis of the new home from Form 2119, skip lines 4a-4g and 5; go to line 6.			
a.	Abstract and recording fees	**4a.**		
b.	Legal fees (including fees for title search and preparing documents)	**4b.**		
c.	Survey fees	**4c.**		
d.	Title insurance	**4d.**		
e.	Transfer or stamp taxes	**4e.**		
f.	Amounts that the seller owed that you agreed to pay (back taxes or interest, recording or mortgage fees, and sales commissions)	**4f.**		
g.	Other	**4g.**		
5.	Add lines 4a through 4g	**5.**		
6.	Cost of additions and improvements. (See *Increases to Basis* in Publication 551.) Do not include any additions and improvements included on line 1	**6.**		
7.	Special tax assessments paid for local improvements, such as streets and sidewalks	**7.**		
8.	Other increases to basis	**8.**		
9.	Add lines 3, 5, 6, 7, and 8	**9.**		
10.	Depreciation allowed or allowable, related to the business use or rental of the home	**10.**	0	
11.	Other decreases to basis (See *Decreases to Basis* in Publication 551.)	**11.**		
12.	Add lines 10 and 11	**12.**		
13.	**Cost or other (adjusted) basis of home damaged or destroyed**. Subtract line 12 from line 9. Enter here and on Schedule 20, line 2	**13.**		

Worksheet A Instructions.

If you use *Worksheet A* to figure the cost or other (adjusted) basis of your home, follow these instructions.

IF...		**THEN...**
you inherited your home	1	skip lines 1 – 4 of the worksheet.
	2	find your basis using the rules under *Inherited Property* in Publication 551. Enter this amount on line 5 of the worksheet.
	3	fill out lines 6 – 13 of the worksheet.
you received your home as a gift	1	read *Property Received as a Gift* in Publication 551 and enter on lines 1 and 3 of the worksheet either the donor's adjusted basis or the home's fair market value at the time of the gift, whichever is appropriate.
	2	if you can add any federal gift tax to your basis, enter that amount on line 5 of the worksheet.
	3	fill out the rest of the worksheet.
you received your home as a trade for other property	1	enter on line 1 of the worksheet the fair market value of the other property at the time of the trade. (But if you received your home as a trade for your previous home before May 7, 1997, and had a gain on the trade that you postponed using Form 2119, enter on line 1 of the worksheet the adjusted basis of the new home from that Form 2119.)
	2	fill out the rest of the worksheet.
you built your home	1	add the purchase price of the land and the cost of building the home. Enter that total on line 1 of the worksheet. (However, if you filed a Form 2119 to postpone gain on the sale of a previous home before May 7, 1997, enter on line 1 of the worksheet the adjusted basis of the new home from that Form 2119.)
	2	fill out the rest of the worksheet.
you received your home from your spouse after July 18, 1984	1	skip lines 1 – 4 of the worksheet.
	2	enter on line 5 of the worksheet your spouse's cost or other (adjusted) basis in the home just before you received it.
	3	fill out lines 6 – 13 of the worksheet, making adjustments to basis only for events after the transfer.
you owned a home jointly with your spouse, who transferred his or her interest in the home to you after July 18, 1984		fill out one worksheet, including adjustments to basis for events both before and after the transfer.
you received your home from your spouse before July 19, 1984	1	skip lines 1 – 4 of the worksheet.
	2	enter on line 5 of the worksheet the home's fair market value at the time you received it.
	3	fill out lines 6 – 13 of the worksheet, making adjustments to basis only for events after the transfer.
you owned a home jointly with your spouse, and your spouse transferred his or her interest in the home to you before July 19, 1984	1	fill out a worksheet, lines 1 – 13, making adjustments to basis only for events before the transfer.
	2	multiply the amount on line 13 of that worksheet by 50% (0.50) to get the adjusted basis of your half-interest at the time of the transfer.
	3	multiply the fair market value of the home at the time of the transfer by 50% (0.50). Generally, this is the basis of the half-interest that your spouse owned.
	4	add the amounts from steps 2 and 3 and enter the total on line 5 of a second worksheet.
	5	complete lines 6 – 13 of the second worksheet, making adjustments to basis only for events after the transfer.

Worksheet A Instructions. *(Continued)*

IF...		THEN...
you owned your home jointly with your spouse who died before the casualty	1	fill out a worksheet, lines 1–13, making adjustments to basis only for events before your spouse's death.
	2	multiply the amount on line 13 of that worksheet by 50% (0.50) to get the adjusted basis of your half-interest on the date of death.
	3	figure the basis for the half-interest owned by your spouse. This is one-half of the fair market value on the date of death (or alternate valuation date). (The basis in your half will remain one-half of the adjusted basis determined in step 2.)
	4	add the amounts from steps 2 and 3 and enter the total on line 5 of a second worksheet.
	5	complete lines 6–13 of the second worksheet, making adjustments to basis only for events after your spouse's death.
you owned your home jointly with your spouse who died before the casualty, and your permanent home is in a community property state	1	skip lines 1–4 of the worksheet.
	2	enter the amount of your basis on line 5 of the worksheet. Generally, this is the fair market value of the home at the time of death. (But see *Community Property* in Publication 551 for special rules.)
	3	fill out lines 6–13 of the worksheet, making adjustments to basis only for events after your spouse's death.
your home was ever damaged as a result of a prior casualty	1	on line 8 of the worksheet, enter any amounts you spent to restore the home to its condition before the prior casualty.
	2	on line 11 enter: any insurance reimbursements you received (or expect to receive) for the prior loss, and any deductible casualty losses from prior years not covered by insurance.
the person who sold you your home paid points on your loan and you bought your home after 1990 but before April 4, 1994.		on line 2 enter the seller-paid points only if you deducted them as home mortgage interest in the year paid (unless you used the seller-paid points to reduce the amount on line 1).
the person who sold you your home paid points on your loan and you bought your home after April 3, 1994		on line 2 enter the seller-paid points even if you did not deduct them (unless you used the seller-paid points to reduce the amount on line 1).
you used part of the property as your home and part of it for business or to produce rental income		you must allocate the entries on Worksheet A between the personal part (column (a)) and the business/rental part (column (b)).
none of these items apply		fill out the entire worksheet.

Department of the Treasury
Internal Revenue Service

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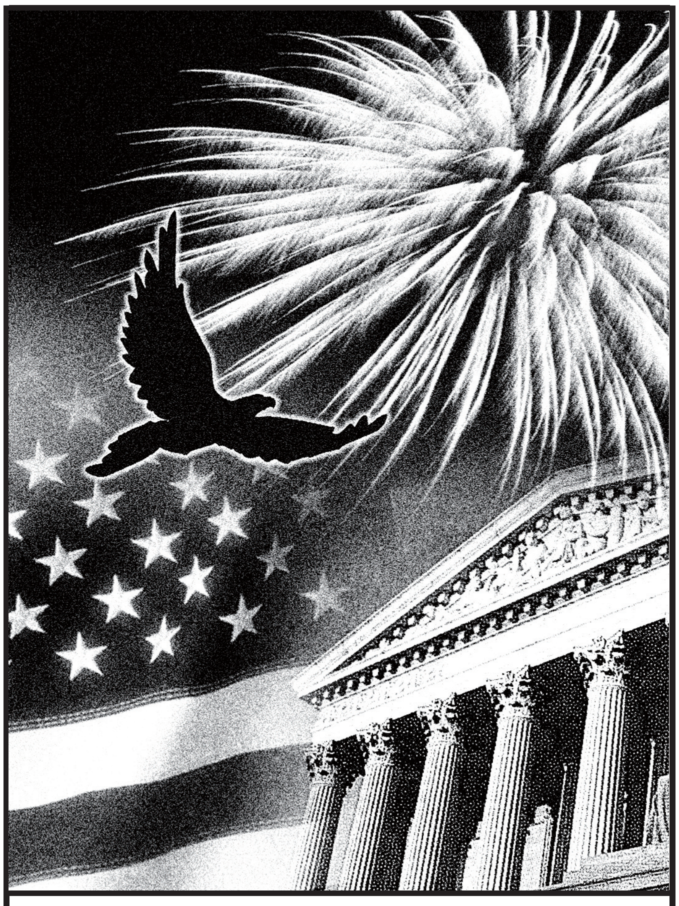
Casualties, Disasters, and Thefts

For use in preparing
2008 Returns



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Dec 17, 2008

Contents

What's New for 2008

Kansas and Midwestern disaster areas. The following paragraphs explain the special rules that apply to casualties and thefts of taxpayers in both the **Kansas** disaster area (defined below) who were affected by storms and tornadoes that began on May 4, 2007, and **Midwestern** disaster areas (defined below). In addition, you may be entitled to other tax benefits not covered in this publication. For more information, see Publication 4492-A, Information for Taxpayers Affected by the May 4, 2007, Kansas Storms and Tornadoes or Publication 4492-B, Information for Affected Taxpayers in the Midwestern Disaster Areas.

Losses of personal use property that arose in these disaster areas are not subject to the $100 or 10% of adjusted gross income limitations. Qualifying losses include losses from casualties and thefts that arose in the disaster area and that were attributable to the storms and tornadoes. If you live in the Kansas disaster area and deducted your loss in 2007 or elected to deduct the loss in 2006, do not use the 2008 Form 4684 to claim that loss. Instead, see Publication 4492-A for special instructions on how to complete your tax forms. If you live in a Midwestern disaster area and you elect to deduct the loss in 2007, see Publication 4492-B for special instructions on how to complete your tax forms.

The replacement period for property in these disaster areas that was damaged, destroyed or stolen has been extended from 2 to 5 years. For more information, see *Replacement Period* later.

The **Kansas disaster area** covers the Kansas counties of Barton, Clay, Cloud, Comanche, Dickinson, Edwards, Ellsworth, Kiowa, Leavenworth, Lyon, McPherson, Osage, Osborne, Ottawa, Phillips, Pottawatomie, Pratt, Reno, Rice, Riley, Saline, Shawnee, Smith, and Stafford.

For purposes of the special rules discussed above, a **Midwestern disaster area** is an area for which a major disaster was declared by the President during the period beginning on May 20, 2008, and ending on July 31, 2008, in the state of Arkansas, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, or Wisconsin as a result of severe storms, tornadoes, or flooding that occurred on the applicable disaster date. For a list of counties in Midwestern disaster areas, see *Table 4. Midwestern Disaster Areas* later.

The term "applicable disaster date" as used in this publication, refers to the date on which the severe storms, tornadoes, or flooding occurred in the Midwestern disaster areas.

Federally declared disasters. New rules apply to losses of personal use property attributable to federally declared disasters declared in tax years beginning after 2007 and that occurred before 2010. For more information, see *Disaster Area Losses* later.

Special rules for individuals impacted by Hurricanes Katrina, Rita, and Wilma. If you claimed a casualty or theft loss deduction and in a later year you received more reimbursement than you expected, you do not recompute the tax for the year in which you claimed the deduction. Instead, you must include the reimbursement in your income for the year in which it was received, but only to the extent the original deduction reduced your tax for the earlier year. ***However,*** an exception applies if you claimed a casualty or theft loss deduction for damage to or destruction of your main home caused by Hurricane Katrina, Rita, or Wilma, and in a later year you received a hurricane relief grant. Under this exception, you can choose to file an amended income tax return (Form 1040X) for the tax year in which you claimed the deduction and reduce (but not below zero) the amount of the deduction by the amount of the grant.

For more information, see *Reimbursement Received After Deducting Loss* later.

What's New for 2009

Personal casualty and theft loss limit. Generally, a personal casualty or theft loss must exceed $500 to be allowed for 2009. This is in addition to the 10% of AGI limit that generally applies to the net loss.

Reminder

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Introduction

This publication explains the tax treatment of casualties, thefts, and losses on deposits. A casualty occurs when your property is damaged as a result of a disaster such as a storm, fire, car accident, or similar event. A theft occurs when someone steals your property. A loss on deposits occurs when your financial institution becomes insolvent or bankrupt.

This publication discusses the following topics.

- Definitions of a casualty, theft, and loss on deposits.
- How to figure the amount of your gain or loss.
- How to treat insurance and other reimbursements you receive.
- The deduction limits.
- When and how to report a casualty or theft.
- The special rules for disaster area losses.

Forms to file. When you have a casualty or theft, you have to file Form 4684. You will also have to file one or more of the following forms.

- Schedule A (Form 1040).
- Schedule D (Form 1040).
- Form 4797.

For details on which form to use, see *How To Report Gains and Losses,* later.

Condemnations. For information on condemnations of property, see *Involuntary Conversions* in chapter 1 of Publication 544.

Workbooks for casualties and thefts. Publication 584 is available to help you make a list of your stolen or damaged personal-use property and figure your loss. It includes schedules to help you figure the loss on your home and its contents, and your motor vehicles.

Publication 584-B is available to help you make a list of your stolen or damaged business or income-producing property and figure your loss.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

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Useful Items

You may want to see:

Publication

- ❏ **523** Selling Your Home
- ❏ **525** Taxable and Nontaxable Income
- ❏ **550** Investment Income and Expenses
- ❏ **551** Basis of Assets
- ❏ **584** Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)
- ❏ **584-B** Business Casualty, Disaster, and Theft Loss Workbook

Form (and Instructions)

- ❏ **Schedule A (Form 1040)** Itemized Deductions
- ❏ **Schedule D (Form 1040)** Capital Gains and Losses
- ❏ **4684** Casualties and Thefts
- ❏ **4797** Sales of Business Property

See *How To Get Tax Help* near the end of this publication for information about getting publications and forms.

Casualty

A casualty is the damage, destruction, or loss of property resulting from an identifiable event that is sudden, unexpected, or unusual.

- A sudden event is one that is swift, not gradual or progressive.
- An unexpected event is one that is ordinarily unanticipated and unintended.
- An unusual event is one that is not a day-to-day occurrence and that is not typical of the activity in which you were engaged.

Deductible losses. Deductible casualty losses can result from a number of different causes, including the following.

- Car accidents (but see *Nondeductible losses,* next, for exceptions).
- Earthquakes.
- Fires (but see *Nondeductible losses,* next, for exceptions).
- Floods.

- Government-ordered demolition or relocation of a home that is unsafe to use because of a disaster as discussed under *Disaster Area Losses,* later.
- Mine cave-ins.
- Shipwrecks.
- Sonic booms.
- Storms, including hurricanes and tornadoes.
- Terrorist attacks.
- Vandalism.
- Volcanic eruptions.

Nondeductible losses. A casualty loss is not deductible if the damage or destruction is caused by the following.

- Accidentally breaking articles such as glassware or china under normal conditions.
- A family pet (explained below).
- A fire if you willfully set it, or pay someone else to set it.
- A car accident if your willful negligence or willful act caused it. The same is true if the willful act or willful negligence of someone acting for you caused the accident.
- Progressive deterioration (explained below).

Family pet. Loss of property due to damage by a family pet is not deductible as a casualty loss unless the requirements discussed earlier under *Casualty* are met.

Example. Your antique oriental rug was damaged by your new puppy before it was housebroken. Because the damage was not unexpected and unusual, the loss is not deductible as a casualty loss.

Progressive deterioration. Loss of property due to progressive deterioration is not deductible as a casualty loss. This is because the damage results from a steadily operating cause or a normal process, rather than from a sudden event. The following are examples of damage due to progressive deterioration.

- The steady weakening of a building due to normal wind and weather conditions.
- The deterioration and damage to a water heater that bursts. However, the rust and water damage to rugs and drapes caused by the bursting of a water heater does qualify as a casualty.
- Most losses of property caused by droughts. To be deductible, a drought-related loss generally must be incurred in a trade or business or in a transaction entered into for profit.
- Termite or moth damage.
- The damage or destruction of trees, shrubs, or other plants by a fungus, disease, insects, worms, or similar pests. However, a sudden destruction due to an unexpected or unusual infestation of beetles or other insects may result in a casualty loss.

Theft

A theft is the taking and removing of money or property with the intent to deprive the owner of it. The taking of property must be illegal under the law of the state where it occurred and it must have been done with criminal intent.

Theft includes the taking of money or property by the following means.

- Blackmail.
- Burglary.
- Embezzlement.
- Extortion.
- Kidnapping for ransom.
- Larceny.
- Robbery.

The taking of money or property through fraud or misrepresentation is theft if it is illegal under state or local law.

Decline in market value of stock. You cannot deduct as a theft loss the decline in market value of stock acquired on the open market for investment if the decline is caused by disclosure of accounting fraud or other illegal misconduct by the officers or directors of the corporation that issued the stock. However, you can deduct as a capital loss the loss you sustain when you sell or exchange the stock or the stock becomes completely worthless. You report a capital loss on Schedule D (Form 1040). For more information about stock sales, worthless stock, and capital losses, see chapter 4 of Publication 550.

Mislaid or lost property. The simple disappearance of money or property is not a theft. However, an accidental loss or disappearance of property can qualify as a casualty if it results from an identifiable event that is sudden, unexpected, or unusual. Sudden, unexpected, and unusual events were defined earlier.

Example. A car door is accidentally slammed on your hand, breaking the setting of your diamond ring. The diamond falls from the ring and is never found. The loss of the diamond is a casualty.

Loss on Deposits

A loss on deposits can occur when a bank, credit union, or other financial institution becomes insolvent or bankrupt. If you incurred this type of loss, you can choose one of the following ways to deduct the loss.

- As a casualty loss.
- As an ordinary loss.
- As a nonbusiness bad debt.

Casualty loss or ordinary loss. You can choose to deduct a loss on deposits as a casualty loss or as an ordinary loss for any year in which you can reasonably estimate how much of your deposits you have lost in an insolvent or bankrupt financial institution. The choice generally is made on the return you file for that year and applies to all your losses on deposits for the year in that particular financial institution. If you treat the loss as a casualty or ordinary loss, you cannot treat the same amount of the loss as a nonbusiness bad debt when it actually becomes worthless. However, you can take a nonbusiness bad debt deduction for any amount of loss that is more than the estimated amount you deducted as a casualty or ordinary loss. Once you make the choice, you cannot change it without permission from the Internal Revenue Service.

If you claim an ordinary loss, report it as a miscellaneous itemized deduction on Schedule A (Form 1040), line 23. The maximum amount you can claim is $20,000 ($10,000 if you are married filing separately) reduced by any expected state insurance proceeds. Your loss is subject to the 2%-of-adjusted-gross-income limit. You cannot choose to claim an ordinary loss if any part of the deposit is federally insured.

Nonbusiness bad debt. If you do not choose to deduct the loss as a casualty loss or as an ordinary loss, you must wait until the year the actual loss is determined and deduct the loss as a nonbusiness bad debt in that year.

How to report. The kind of deduction you choose for your loss on deposits determines how you report your loss. See *Table 1.*

More information. For more information, see *Special Treatment for Losses on Deposits in Insolvent or Bankrupt Financial Institutions* in the Instructions for Form 4684.

Deducted loss recovered. If you recover an amount you deducted as a loss in an earlier year, you may have to include the amount recovered in your income for the year of recovery. If any part of the original deduction did not reduce your tax in the earlier year, you do not have to include that part of the recovery in your income. For more information, see *Recoveries* in Publication 525.

Proof of Loss

To deduct a casualty or theft loss, you must be able to show that there was a casualty or theft. You also must be able to support the amount you take as a deduction.

Casualty loss proof. For a casualty loss, you should be able to show all the following.

- The type of casualty (car accident, fire, storm, etc.) and when it occurred.
- That the loss was a direct result of the casualty.
- That you were the owner of the property, or if you leased the property from someone else, that you were contractually liable to the owner for the damage.
- Whether a claim for reimbursement exists for which there is a reasonable expectation of recovery.

Theft loss proof. For a theft loss, you should be able to show all the following.

- When you discovered that your property was missing.
- That your property was stolen.
- That you were the owner of the property.

Table 1. **Reporting Loss on Deposits**

IF you choose to report the loss as a(n)...	THEN report it on...
casualty loss	Form 4684 and Schedule A (Form 1040).
ordinary loss	Schedule A (Form 1040).
nonbusiness bad debt	Schedule D (Form 1040).

- Whether a claim for reimbursement exists for which there is a reasonable expectation of recovery.

It is important that you have records that will prove your deduction. If you do not have the actual records to support your deduction, you can use other satisfactory evidence to support it.

Figuring a Loss

To determine your deduction for a casualty or theft loss, you must first figure your loss.

Amount of loss. Figure the amount of your loss using the following steps.

1. Determine your adjusted basis in the property before the casualty or theft.
2. Determine the decrease in fair market value (FMV) of the property as a result of the casualty or theft.
3. From the smaller of the amounts you determined in (1) and (2), subtract any insurance or other reimbursement you received or expect to receive.

For personal-use property and property used in performing services as an employee, apply the deduction limits, discussed later, to determine the amount of your deductible loss.

Gain from reimbursement. If your reimbursement is more than your adjusted basis in the property, you have a gain. This is true even if the decrease in the FMV of the property is smaller than your adjusted basis. If you have a gain, you may have to pay tax on it, or you may be able to postpone reporting the gain. See *Figuring a Gain,* later.

Business or income-producing property. If you have business or income-producing property, such as rental property, and it is stolen or completely destroyed, the decrease in FMV is not considered. Your loss is figured as follows:

Your adjusted basis in the property

MINUS

Any salvage value

MINUS

Any insurance or other reimbursement you receive or expect to receive

Loss of inventory. There are two ways you can deduct a casualty or theft loss of inventory, including items you hold for sale to customers.

One way is to deduct the loss through the increase in the cost of goods sold by properly reporting your opening and closing inventories. Do not claim this loss again as a casualty or theft loss. If you take the loss through the increase in the cost of goods sold, include any insurance or other reimbursement you receive for the loss in gross income.

The other way is to deduct the loss separately. If you deduct it separately, eliminate the affected inventory items from the cost of goods sold by making a downward adjustment to opening inventory or purchases. Reduce the loss by the reimbursement you received. Do not include the reimbursement in gross income. If you do not receive the reimbursement by the end of the year, you may not claim a loss to the extent you have a reasonable prospect of recovery.

Leased property. If you are liable for casualty damage to property you lease, your loss is the amount you must pay to repair the property minus any insurance or other reimbursement you receive or expect to receive.

Separate computations. Generally, if a single casualty or theft involves more than one item of property, you must figure the loss on each item separately. Then combine the losses to determine the total loss from that casualty or theft.

Exception for personal-use real property. In figuring a casualty loss on personal-use real property, the entire property (including any improvements, such as buildings, trees, and shrubs) is treated as one item. Figure the loss using the smaller of the following.

- The decrease in FMV of the entire property.
- The adjusted basis of the entire property.

See *Real property* under *Figuring the Deduction,* later.

Decrease in Fair Market Value

Fair market value (FMV) is the price for which you could sell your property to a willing buyer when neither of you has to sell or buy and both of you know all the relevant facts.

The decrease in FMV used to figure the amount of a casualty or theft loss is the difference between the property's fair market value immediately before and immediately after the casualty or theft.

FMV of stolen property. The FMV of property immediately after a theft is considered to be zero since you no longer have the property.

Example. Several years ago, you purchased silver dollars at face value for $150. This is your adjusted basis in the property. Your silver dollars were stolen this year. The FMV of the coins was $1,000 just before they were stolen, and insurance did not cover them. Your theft loss is $150.

Recovered stolen property. Recovered stolen property is your property that was stolen and later returned to you. If you recovered property after you had already taken a theft loss deduction, you must refigure your loss using the smaller of the property's adjusted basis (explained later) or the decrease in FMV from the time just before it was stolen until the time it was recovered. Use this amount to refigure your total loss for the year in which the loss was deducted.

If your refigured loss is less than the loss you deducted, you generally have to report the difference as income in the recovery year. But report the difference only up to the amount of the loss that reduced your tax. For more information on the amount to report, see *Recoveries* in Publication 525.

Figuring Decrease in FMV — Items To Consider

To figure the decrease in FMV because of a casualty or theft, you generally need a competent appraisal. However, other measures also can be used to establish certain decreases. See *Appraisal* and *Cost of cleaning up or making repairs,* next.

Appraisal. An appraisal to determine the difference between the FMV of the property immediately before a casualty or theft and immediately afterwards should be made by a competent appraiser. The appraiser must recognize the effects of any general market decline that may occur along with the casualty. This information is needed to limit any deduction to the actual loss resulting from damage to the property.

Several factors are important in evaluating the accuracy of an appraisal, including the following.

- The appraiser's familiarity with your property before and after the casualty or theft.
- The appraiser's knowledge of sales of comparable property in the area.
- The appraiser's knowledge of conditions in the area of the casualty.
- The appraiser's method of appraisal.

You may be able to use an appraisal that you used to get a federal loan (or a federal loan guarantee) as the result of a federally declared disaster to establish the amount of your disaster loss. For more information on disasters, see Disaster Area Losses, *later.*

Cost of cleaning up or making repairs. The cost of repairing damaged property is not part of a casualty loss. Neither is the cost of cleaning up after a casualty. But you can use the cost of cleaning up or of making repairs after a casualty as a measure of the decrease in FMV if you meet all the following conditions.

- The repairs are actually made.
- The repairs are necessary to bring the property back to its condition before the casualty.
- The amount spent for repairs is not excessive.
- The repairs take care of the damage only.

- The value of the property after the repairs is not, due to the repairs, more than the value of the property before the casualty.

Landscaping. The cost of restoring landscaping to its original condition after a casualty may indicate the decrease in FMV. You may be able to measure your loss by what you spend on the following.

- Removing destroyed or damaged trees and shrubs, minus any salvage you receive.
- Pruning and other measures taken to preserve damaged trees and shrubs.
- Replanting necessary to restore the property to its approximate value before the casualty.

Car value. Books issued by various automobile organizations that list your car may be useful in figuring the value of your car. You can use the books' retail values and modify them by factors such as the mileage and condition of your car to figure its value. The prices are not official, but they may be useful in determining value and suggesting relative prices for comparison with current sales and offerings in your area. If your car is not listed in the books, determine its value from other sources. A dealer's offer for your car as a trade-in on a new car is not usually a measure of its true value.

Figuring Decrease in FMV — Items Not To Consider

You generally should not consider the following items when attempting to establish the decrease in FMV of your property.

Cost of protection. The cost of protecting your property against a casualty or theft is not part of a casualty or theft loss. The amount you spend on insurance or to board up your house against a storm is not part of your loss. If the property is business property, these expenses are deductible as business expenses.

If you make permanent improvements to your property to protect it against a casualty or theft, add the cost of these improvements to your basis in the property. An example would be the cost of a dike to prevent flooding.

Exception. You cannot increase your basis in the property by, or deduct as a business expense, any expenditures you made with respect to qualified disaster mitigation payments (discussed later under *Disaster Area Losses).*

Related expenses. The incidental expenses due to a casualty or theft, such as expenses for the treatment of personal injuries, for temporary housing, or for a rental car, are not part of your casualty or theft loss. However, they may be deductible as business expenses if the damaged or stolen property is business property.

Replacement cost. The cost of replacing stolen or destroyed property is not part of a casualty or theft loss.

Example. You bought a new chair 4 years ago for $300. In April, a fire destroyed the chair. You estimate that it would cost $500 to replace it. If you had sold the chair before the fire, you estimate that you could have received only $100 for it because it was 4 years old. The chair was not insured. Your loss is $100, the FMV of the chair before the fire. It is not $500, the replacement cost.

Sentimental value. Do not consider sentimental value when determining your loss. If a family portrait, heirloom, or keepsake is damaged, destroyed, or stolen, you must base your loss on its FMV.

Decline in market value of property in or near casualty area. A decrease in the value of your property because it is in or near an area that suffered a casualty, or that might again suffer a casualty, is not to be taken into consideration. You have a loss only for actual casualty damage to your property. However, if your home is in a federally declared disaster area, see *Disaster Area Losses,* later.

Costs of photographs and appraisals. Photographs taken after a casualty will be helpful in establishing the condition and value of the property after it was damaged. Photographs showing the condition of the property after it was repaired, restored, or replaced may also be helpful.

Appraisals are used to figure the decrease in FMV because of a casualty or theft. See *Appraisal*, earlier, under *Figuring Decrease in FMV — Items To Consider*, for information about appraisals.

The costs of photographs and appraisals used as evidence of the value and condition of property damaged as a result of a casualty are not a part of the loss. They are expenses in determining your tax liability. You can claim these costs as a miscellaneous itemized deduction subject to the 2%-of-adjusted-gross-income limit on Schedule A (Form 1040).

Adjusted Basis

The measure of your investment in the property you own is its basis. For property you buy, your basis is usually its cost to you. For property you acquire in some other way, such as inheriting it, receiving it as a gift, or getting it in a nontaxable exchange, you must figure your basis in another way, as explained in Publication 551.

Adjustments to basis. While you own the property, various events may take place that change your basis. Some events, such as additions or permanent improvements to the property, increase basis. Others, such as earlier casualty losses and depreciation deductions, decrease basis. When you add the increases to the basis and subtract the decreases from the basis, the result is your adjusted basis. See Publication 551 for more information on figuring the basis of your property.

Insurance and Other Reimbursements

If you receive an insurance or other type of reimbursement, you must subtract the reimbursement when you figure your loss. You do not have a casualty or theft loss to the extent you are reimbursed.

If you expect to be reimbursed for part or all of your loss, you must subtract the expected reimbursement when you figure your loss. You must reduce your loss even if you do not receive payment until a later tax year. See *Reimbursement Received After Deducting Loss,* later.

Failure to file a claim for reimbursement. If your property is covered by insurance, you must file a timely insurance claim for reimbursement of your loss. Otherwise, you cannot deduct this loss as a casualty or theft.

The portion of the loss usually not covered by insurance (for example, a deductible) is not subject to this rule.

Example. You have a car insurance policy with a $500 deductible. Because your insurance did not cover the first $500 of an auto collision, the $500 would be deductible (subject to the $100 and 10% rules, discussed later). This is true, even if you do not file an insurance claim, because your insurance policy would never have reimbursed you for the deductible.

Types of Reimbursements

The most common type of reimbursement is an insurance payment for your stolen or damaged property. Other types of reimbursements are discussed next. Also see the Instructions for Form 4684.

Employer's emergency disaster fund. If you receive money from your employer's emergency disaster fund and you must use that money to rehabilitate or replace property on which you are claiming a casualty loss deduction, you must take that money into consideration in computing the casualty loss deduction. Take into consideration only the amount you used to replace your destroyed or damaged property.

Example. Your home was extensively damaged by a tornado. Your loss after reimbursement from your insurance company was $10,000. Your employer set up a disaster relief fund for its employees. Employees receiving money from the fund had to use it to rehabilitate or replace their damaged or destroyed property. You received $4,000 from the fund and spent the entire amount on repairs to your home. In figuring your casualty loss, you must reduce your unreimbursed loss ($10,000) by the $4,000 you received from your employer's fund. Your casualty loss before applying the deduction limits (discussed later) is $6,000.

Cash gifts. If you receive excludable cash gifts as a disaster victim and there are no limits on how you can use the money, you do not reduce your casualty loss by these excludable cash gifts. This applies even if you use the money to pay for repairs to property damaged in the disaster.

Example. Your home was damaged by a hurricane. Relatives and neighbors made cash gifts to you that were excludable from your income. You used part of the cash gifts to pay for repairs to your home. There were no limits or restrictions on how you could use the cash gifts. It was an excludable gift, so the money you received and used to pay for repairs to your home does not reduce your casualty loss on the damaged home.

Insurance payments for living expenses. You do not reduce your casualty loss by insurance payments you receive to cover living expenses in either of the following situations.

- You lose the use of your main home because of a casualty.

- Government authorities do not allow you access to your main home because of a casualty or threat of one.

Inclusion in income. If these insurance payments are more than the temporary increase in your living expenses, you must include the excess in your income. Report this amount on Form 1040, line 21. However, if the casualty occurs in a federally declared disaster area, none of the insurance payments are taxable. See *Qualified disaster relief payments*, later, under *Disaster Area Losses*.

A temporary increase in your living expenses is the difference between the actual living expenses you and your family incurred during the period you could not use your home and your normal living expenses for that period. Actual living expenses are the reasonable and necessary expenses incurred because of the loss of your main home. Generally, these expenses include the amounts you pay for the following.

- Renting suitable housing.
- Transportation.
- Food.
- Utilities.
- Miscellaneous services.

Normal living expenses consist of these same expenses that you would have incurred but did not because of the casualty or the threat of one.

Example. As a result of a fire, you vacated your apartment for a month and moved to a motel. You normally pay $525 a month for rent. None was charged for the month the apartment was vacated. Your motel rent for this month was $1,200. You normally pay $200 a month for food. Your food expenses for the month you lived in the motel were $400. You received $1,100 from your insurance company to cover your living expenses. You determine the payment you must include in income as follows.

1) Insurance payment for living expenses $1,100
2) Actual expenses during the month you are unable to use your home because of the fire $1,600
3) Normal living expenses 725
4) Temporary increase in living expenses: Subtract line 3 from line 2 875
5) Amount of payment includible in income: Subtract line 4 from line 1 . . $ 225

Tax year of inclusion. You include the taxable part of the insurance payment in income for the year you regain the use of your main home or, if later, for the year you receive the taxable part of the insurance payment.

Example. Your main home was destroyed by a tornado in August 2006. You regained use of your home in November 2007. The insurance payments you received in 2006 and 2007 were $1,500 more than the temporary increase in your living expenses during those years. You include this amount in income on your 2007 Form 1040. If, in 2008, you receive further payments to cover the living expenses you had in 2006 and 2007, you must include those payments in income on your 2008 Form 1040.

Disaster relief. Food, medical supplies, and other forms of assistance you receive do not reduce your casualty loss, unless they are replacements for lost or destroyed property.

TIP *Qualified disaster relief payments you receive for expenses you incurred as a result of a federally declared disaster, are not taxable income to you. For more information, see* Qualified disaster relief payments *under* Disaster Area Losses*, later.*

Disaster unemployment assistance payments are unemployment benefits that are taxable.

Generally, disaster relief grants received under the Robert T. Stafford Disaster Relief and Emergency Assistance Act are not included in your income. See *Federal disaster relief grants*, later, under *Disaster Area Losses.*

Table 2. **Deduction Limit Rules for Personal-Use and Employee Property**

		$100 Rule [1]	**10% Rule**[2]	**2% Rule**
General Application		You must reduce each casualty or theft loss by $100 when figuring your deduction. Apply this rule to personal-use property after you have figured the amount of your loss.	You must reduce your total casualty or theft loss by 10% of your adjusted gross income. Apply this rule to personal-use property after you reduce each loss by $100 (the $100 rule).	You must reduce your total casualty or theft loss by 2% of your adjusted gross income. Apply this rule to property you used in performing services as an employee after you have figured the amount of your loss and added it to your job expenses and most other miscellaneous itemized deductions.
Single Event		Apply this rule only once, even if many pieces of property are affected.	Apply this rule only once, even if many pieces of property are affected.	Apply this rule only once, even if many pieces of property are affected.
More Than One Event		Apply to the loss from each event.	Apply to the total of all your losses from all events.	Apply to the total of all your losses from all events.
More Than One Person— With Loss From the Same Event (other than a married couple filing jointly)		Apply separately to each person.	Apply separately to each person.	Apply separately to each person.
Married Couple— With Loss From the Same Event	Filing Joint Return	Apply as if you were one person.	Apply as if you were one person.	Apply as if you were one person.
	Filing Separate Return	Apply separately to each spouse.	Apply separately to each spouse.	Apply separately to each spouse.
More Than One Owner (other than a married couple filing jointly)		Apply separately to each owner of jointly owned property.	Apply separately to each owner of jointly owned property.	Apply separately to each owner of jointly owned property.

[1]The $100 rule does not apply if your loss arose in the Kansas disaster area or a Midwestern disaster area (defined at the beginning of this publication under *What's New for 2008).*
[2]The 10% rule does not apply if your loss arose in the Kansas disaster area or a Midwestern disaster area (defined at the beginning of this publication under *What's New for 2008).* It also does not apply to a net disaster loss attributable to a federally declared disaster (defined later under *Disaster Area Losses).*

Reimbursement Received After Deducting Loss

If you figured your casualty or theft loss using the amount of your expected reimbursement, you may have to adjust your tax return for the tax year in which you get your actual reimbursement. This section explains the adjustment you may have to make.

Actual reimbursement less than expected. If you later receive less reimbursement than you expected, include that difference as a loss with your other losses (if any) on your return for the year in which you can reasonably expect no more reimbursement.

Example. Your personal car had a FMV of $2,000 when it was destroyed in a collision with another car in 2007. The accident was due to the negligence of the other driver. At the end of 2007, there was a reasonable prospect that the owner of the other car would reimburse you in full. You did not have a deductible loss in 2007.

In January 2008, the court awards you a judgment of $2,000. However, in July it becomes apparent that you will be unable to collect any amount from the other driver. Since this is your only casualty or theft loss, you can deduct the loss in 2008 that is figured by applying the deduction limits (discussed later).

Actual reimbursement more than expected. If you later receive more reimbursement than you expected, after you have claimed a deduction for the loss, you may have to include the extra reimbursement in your income for the year you receive it. However, if any part of the original deduction did not reduce your tax for the earlier year, do not include that part of the reimbursement in your income. You do not refigure your tax for the year you claimed the deduction. See *Recoveries* in Publication 525 to find out how much extra reimbursement to include in income.

You do not have to include the extra reimbursement in your income for the year you receive it if you make the choice discussed later under Individuals impacted by Hurricanes Katrina, Rita, and Wilma.

Example. In 2007, a hurricane destroyed your motorboat. Your loss was $3,000, and you estimated that your insurance would cover $2,500 of it. You did not itemize deductions on your 2007 return, so you could not deduct the loss. When the insurance company reimburses you for the loss, you do not report any of the reimbursement as income. This is true even if it is for the full $3,000 because you did not deduct the loss on your 2007 return. The loss did not reduce your tax.

If the total of all the reimbursements you receive is more than your adjusted basis in the destroyed or stolen property, you will have a gain on the casualty or theft. If you have already taken a deduction for a loss and you receive the reimbursement in a later year, you may have to include the gain in your income for the later year. Include the gain as ordinary income up to the amount of your deduction that reduced your tax for the earlier year. You may be able to postpone reporting any remaining gain as explained under Postponement of Gain, *later.*

Actual reimbursement same as expected. If you receive exactly the reimbursement you expected to receive, you do not have to include any of the reimbursement in your income and you cannot deduct any additional loss.

Example. In December 2008, you had a collision while driving your personal car. Repairs to the car cost $950. You had $100 deductible collision insurance. Your insurance company agreed to reimburse you for the rest of the damage. Because you expected a reimbursement from the insurance company, you did not have a casualty loss deduction in 2008.

Due to the $100 rule, you cannot deduct the $100 you paid as the deductible. When you receive the $850 from the insurance company in 2009, do not report it as income.

Individuals impacted by Hurricanes Katrina, Rita, and Wilma. If you claimed a casualty loss for damage to or destruction of your main home as a result of Hurricane Katrina, Rita, or Wilma, and in a later year you receive a qualified hurricane relief grant as reimbursement, you do not have to include the extra reimbursement in your income as explained earlier under *Actual reimbursement more than expected*. Instead, you can choose to file an amended return (Form 1040X) for the tax year in which you claimed the casualty loss deduction and reduce (but not below zero) the amount of the deduction by the amount of the grant. To qualify, the grant must have been issued under Public Law 109-148, 109-234, or 110-116. Qualified grants include the Louisiana Road Home Grant and the Mississippi Development Authority Hurricane Katrina Homeowner Grant.

Form 1040X and required attachments. If you choose to file Form 1040X as discussed above, write "Hurricane Grant Relief" in dark, bold letters at the top of the form and attach the following items.

- Proof of the amount of the hurricane relief grant received.
- A completed Form 2848, Power of Attorney and Declaration of Representative, if you wish to designate a representative. (Do not attach if a valid Form 2848 is on file with the IRS.)

Do not include on Form 1040X any adjustments other than the reduction of the casualty loss deduction if the period of limitations on assessment is closed for the tax year for those adjustments.

If you previously filed an amended return for the casualty loss year that (1) reduced the previously claimed casualty loss deduction by the grant amount or (2) reported any of the grant amount as income, you must notify the IRS to receive the benefits described above. You must send the following documents to the IRS at the address given later.

- A copy of the previously filed Form 1040X, or submit a Form 843, Claim for Refund and Request for Abatement. These forms must include your own contact information as well as a properly executed Form 2848, if applicable.
- Copies of the original return for the year of the casualty loss deduction and any other amended returns for that year.
- Copies of the original return and amended returns, if any, for the year you received the grant if any portion of the grant was previously reported as income in the year you received it.

You must send these documents by the date given later under *When to file Form 1040X*. The IRS will contact you or your representative, as appropriate, to discuss any necessary adjustments.

When to file Form 1040X. File Form 1040X and attachments by the later of:

- The due date for filing your tax return for the tax year in which you receive the grant (including extensions), or
- July 30, 2009.

Solely for purposes of determining whether you are eligible for the waiver of penalties and interest for purposes of the procedure discussed here, the IRS will treat any amended return filed before July 30, 2009, as filed on July 30, 2009.

Where to file Form 1040X. Mail Form 1040X and attachments to the following address.

Department of the Treasury
Internal Revenue Service Center
Austin, TX 73301-0255

Payment of balance due. To avoid interest and penalties, you must pay the balance due on Form 1040X within one year of the timely filing of that form. Payments made after you file Form 1040X should clearly designate that the payment is to be applied to reduce the balance due shown on the Form 1040X per IRS Notice 2008-95. The IRS will not take action to collect the balance due reflected on Form 1040X for the one year period following the filing of Form 1040X.

Assessment of balance due. After you file Form 1040X, the IRS immediately will assess the balance due resulting from the reduction in the casualty loss claimed. This assessment will be reflected on your account as an outstanding liability.

Deduction Limits

After you have figured your casualty or theft loss, you must figure how much of the loss you can deduct.

The deduction for casualty and theft losses of employee property and personal-use property is limited. A loss on employee property is subject to the 2% rule, discussed next. With certain exceptions, a loss on property you own for your personal use is subject to the $100 and 10% rules, discussed later. The 2%, $100, and 10% rules are also summarized in *Table 2*.

Losses on business property (other than employee property) and income-producing property are not subject to these rules. However, if your casualty or theft loss involved a home you used for business or rented out, your deductible loss may be limited. See the instructions for Form 4684, Section B. If the casualty or theft loss involved property used in a passive activity, see Form 8582, Passive Activity Loss Limitations, and its instructions.

2% Rule

The casualty and theft loss deduction for employee property, when added to your job expenses and most other miscellaneous itemized deductions on Schedule A (Form 1040), must be reduced by 2% of your adjusted gross income. Employee property is property used in performing services as an employee.

$100 Rule

TIP *This rule does not apply if your loss arose in the Kansas disaster area or a Midwestern disaster area (as defined at the beginning of this publication under What's New for 2008).*

After you have figured your casualty or theft loss on personal-use property, as discussed earlier, you must reduce that loss by $100. This reduction applies to each total casualty or theft loss. It does not matter how many pieces of property are involved in an event. Only a single $100 reduction applies.

Example. You have $250 deductible collision insurance on your car. The car is damaged in a collision. The insurance company pays you for the damage minus the $250 deductible. The amount of the casualty loss is based solely on the deductible. The casualty loss is $150 ($250 – $100) because the first $100 of a casualty loss on personal-use property is not deductible.

Single event. Generally, events closely related in origin cause a single casualty. It is a single casualty when the damage is from two or more closely related causes, such as wind and flood damage caused by the same storm. A single casualty may also damage two or more pieces of property, such as a hailstorm that damages both your home and your car parked in your driveway.

Example 1. A thunderstorm destroyed your pleasure boat. You also lost some boating equipment in the storm. Your loss was $5,000 on the boat and $1,200 on the equipment. Your insurance company reimbursed you $4,500 for the damage to your boat. You had no insurance coverage on the equipment. Your casualty loss is from a single event and the $100 rule applies once. Figure your loss before applying the 10% rule (discussed later) as follows.

	Boat	Equipment
1. Loss	$5,000	$1,200
2. Subtract insurance . .	4,500	-0-
3. Loss after reimbursement	$ 500	$1,200
4. Total loss		$1,700
5. Subtract $100		100
6. **Loss before 10% rule**		**$1,600**

Example 2. Thieves broke into your home in January and stole a ring and a fur coat. You had a loss of $200 on the ring and $700 on the coat. This is a single theft. The $100 rule applies to the total $900 loss.

Example 3. In September, hurricane winds blew the roof off your home. Flood waters caused by the hurricane further damaged your home and destroyed your furniture and personal car. This is considered a single casualty. The $100 rule is applied to your total loss from the flood waters and the wind.

More than one loss. If you have more than one casualty or theft loss during your tax year, you must reduce each loss by $100.

Example. Your family car was damaged in an accident in January. Your loss after the insurance reimbursement was $75. In February, your car was damaged in another accident. This time your loss after the insurance reimbursement was $90. Apply the $100 rule to each separate casualty loss. Since neither accident resulted in a loss of over $100, you are not entitled to any deduction for these accidents.

More than one person. If two or more individuals (other than a husband and wife filing a joint return) have losses from the same casualty or theft, the $100 rule applies separately to each individual.

Example. A fire damaged your house and also damaged the personal property of your house guest. You must reduce your loss by $100. Your house guest must reduce his or her loss by $100.

Married taxpayers. If you and your spouse file a joint return, you are treated as one individual in applying the $100 rule. It does not matter whether you own the property jointly or separately.

If you and your spouse have a casualty or theft loss and you file separate returns, each of you must reduce your loss by $100. This is true even if you own the property jointly. If one spouse owns the property, only that spouse can figure a loss deduction on a separate return.

If the casualty or theft loss is on property you own as tenants by the entirety, each of you can figure your deduction on only one-half of the loss on separate returns. Neither of you can figure your deduction on the entire loss on a separate return. Each of you must reduce the loss by $100.

More than one owner. If two or more individuals (other than a husband and wife filing a joint return) have a loss on property jointly owned, the $100 rule applies separately to each. For example, if two sisters live together in a home they own jointly and they have a casualty loss on the home, the $100 rule applies separately to each sister.

10% Rule

TIP *This rule does not apply to the following losses.*

- *A loss arising in the Kansas disaster area or Midwestern disaster area (defined at the beginning of this publication under* What's New for 2008*).*
- *A net disaster loss attributable to a federally declared disaster (defined later under* Disaster Area Losses*).*

You must reduce the total of all your casualty or theft losses on personal-use property by 10% of your adjusted gross income. Apply this rule after you reduce each loss by $100. If you have both gains and losses from casualties or thefts, see *Gains and losses,* later in this discussion.

Example. In June, you discovered that your house had been burglarized. Your loss after insurance reimbursement was $2,000. Your adjusted gross income for the year you discovered the theft is $29,500. Figure your theft loss as follows.

1. Loss after insurance	$2,000
2. Subtract $100	100
3. Loss after $100 rule	$1,900
4. Subtract 10% of $29,500 AGI . . .	$2,950
5. **Theft loss deduction**	**$ -0-**

You do not have a theft loss deduction because your loss ($1,900) is less than 10% of your adjusted gross income ($2,950).

More than one loss. If you have more than one casualty or theft loss during your tax year, reduce each loss by any reimbursement and by $100. Then you must reduce the total of all your losses by 10% of your adjusted gross income.

Example. In March, you had a car accident that totally destroyed your car. You did not have collision insurance on your car, so you did not receive any insurance reimbursement. Your loss on the car was $1,200. In November, a fire damaged your basement and totally destroyed the furniture, washer, dryer, and other items you had stored there. Your loss on the basement items after reimbursement was $1,700. Your adjusted gross income for the year that the accident and fire occurred is $25,000. You figure your casualty loss deduction as follows.

	Car	Basement
1. Loss	$1,200	$1,700
2. Subtract $100 per incident	100	100
3. Loss after $100 rule	$1,100	$1,600
4. Total loss		$2,700
5. Subtract 10% of $25,000 AGI . .		2,500
6. **Casualty loss deduction**		**$ 200**

Married taxpayers. If you and your spouse file a joint return, you are treated as one individual in applying the 10% rule. It does not matter if you own the property jointly or separately.

If you file separate returns, the 10% rule applies to each return on which a loss is claimed.

More than one owner. If two or more individuals (other than husband and wife filing a joint return) have a loss on property that is owned jointly, the 10% rule applies separately to each.

Gains and losses. If you have casualty or theft gains as well as losses to personal-use property, you must compare your total gains to your total losses. Do this after you have reduced each loss by any reimbursements and by $100 but before you have reduced the losses by 10% of your adjusted gross income.

CAUTION *Casualty or theft gains do not include gains you choose to postpone. See* Postponement of Gain*, later.*

Losses more than gains. If your losses are more than your recognized gains, subtract your gains from your losses and reduce the result by 10% of your adjusted gross income. The rest, if any, is your deductible loss from personal-use property.

Example. Your theft loss after reducing it by reimbursements and by $100 is $2,700. Your casualty gain is $700. Your loss is more than your gain, so you must reduce your $2,000 net loss ($2,700 − $700) by 10% of your adjusted gross income.

Gains more than losses. If your recognized gains are more than your losses, subtract your losses from your gains. The difference is treated as a capital gain and must be reported on Schedule D (Form 1040). The 10% rule does not apply to your gains.

Example. Your theft loss is $600 after reducing it by reimbursements and by $100. Your casualty gain is $1,600. Because your gain is more than your loss, you must report the $1,000 net gain ($1,600 − $600) on Schedule D.

More information. For information on how to figure recognized gains, see *Figuring a Gain,* later.

Figuring the Deduction

Generally, you must figure your loss separately for each item stolen, damaged, or destroyed. However, a special rule applies to real property you own for personal use.

Real property. In figuring a loss to real estate you own for personal use, all improvements (such as buildings and ornamental trees and the land containing the improvements) are considered together.

Example 1. In June, a fire destroyed your lakeside cottage, which cost $144,800 (including $14,500 for the land) several years ago. (Your land was not damaged.) This was your only casualty or theft loss for the year. The FMV of the property immediately before the fire was $180,000 ($145,000 for the cottage and $35,000 for the land). The FMV immediately after the fire was $35,000 (value of the land). You collected $130,000 from the insurance company. Your adjusted gross income for the year the fire occurred is $80,000. Your deduction for the casualty loss is $6,700, figured in the following manner.

1. Adjusted basis of the entire property (cost in this example)	$144,800
2. FMV of entire property before fire	$180,000
3. FMV of entire property after fire	35,000
4. Decrease in FMV of entire property (line 2 − line 3)	$145,000
5. Loss (smaller of line 1 or line 4)	$144,800
6. Subtract insurance	130,000
7. Loss after reimbursement	$14,800
8. Subtract $100	100
9. Loss after $100 rule	$14,700
10. Subtract 10% of $80,000 AGI	8,000
11. **Casualty loss deduction**	**$ 6,700**

Example 2. You bought your home a few years ago. You paid $150,000 ($10,000 for the land and $140,000 for the house). You also spent an additional $2,000 for landscaping. This year a fire destroyed your home. The fire also damaged the shrubbery and trees in your yard. The fire was your only casualty or theft loss this year. Competent appraisers valued the property as a whole at $175,000 before the fire, but only $50,000 after the fire. Shortly after the fire, the insurance company paid you $95,000 for the loss. Your adjusted gross income for this year is $70,000. You figure your casualty loss deduction as follows.

1. Adjusted basis of the entire property (cost of land, building, and landscaping)	$152,000
2. FMV of entire property before fire	$175,000
3. FMV of entire property after fire	50,000
4. Decrease in FMV of entire property (line 2 − line 3)	$125,000
5. Loss (smaller of line 1 or line 4)	$125,000
6. Subtract insurance	95,000
7. Loss after reimbursement	$30,000
8. Subtract $100	100
9. Loss after $100 rule	$29,900
10. Subtract 10% of $70,000 AGI	7,000
11. **Casualty loss deduction**	**$ 22,900**

Personal property. Personal property is generally any property that is not real property. If your personal property is stolen or is damaged or destroyed by a casualty, you must figure your loss separately for each item of property. Then combine these separate losses to figure the total loss. Reduce the total loss by $100 and 10% of your adjusted gross income to figure the loss deduction.

Example 1. In August, a storm destroyed your pleasure boat, which cost $18,500. This was your only casualty or theft loss for the year. Its FMV immediately before the storm was $17,000. You had no insurance, but were able to salvage the motor of the boat and sell it for $200. Your adjusted gross income for the year the casualty occurred is $70,000.

Although the motor was sold separately, it is part of the boat and not a separate item of property. You figure your casualty loss deduction as follows.

1. Adjusted basis (cost in this example)	$18,500
2. FMV before storm	$17,000
3. FMV after storm	200
4. Decrease in FMV (line 2 − line 3)	$16,800
5. Loss (smaller of line 1 or line 4)	$16,800
6. Subtract insurance	-0-
7. Loss after reimbursement	$16,800
8. Subtract $100	100
9. Loss after $100 rule	$16,700
10. Subtract 10% of $70,000 AGI	7,000
11. **Casualty loss deduction**	**$ 9,700**

Example 2. In June, you were involved in an auto accident that totally destroyed your personal car and your antique pocket watch. You had bought the car for $30,000. The FMV of the car just before the accident was $17,500. Its FMV just after the accident was $180 (scrap value). Your insurance company reimbursed you $16,000.

Your watch was not insured. You had purchased it for $250. Its FMV just before the accident was $500. Your adjusted gross income for the year the accident occurred is $97,000. Your casualty loss deduction is zero, figured as follows.

	Car	Watch
1. Adjusted basis (cost)	$30,000	$250
2. FMV before accident	$17,500	$500
3. FMV after accident	180	-0-
4. Decrease in FMV (line 2 − line 3)	$17,320	$500
5. Loss (smaller of line 1 or line 4)	$17,320	$250
6. Subtract insurance	16,000	-0-
7. Loss after reimbursement	$1,320	$250
8. Total loss		$1,570
9. Subtract $100		100
10. Loss after $100 rule		$1,470
11. Subtract 10% of $97,000 AGI		9,700
12. **Casualty loss deduction**		**$ -0-**

Both real and personal properties. When a casualty involves both real and personal properties, you must figure the loss separately for each type of property. However, you apply a single $100 reduction to the total loss. Then, you apply the 10% rule to figure the casualty loss deduction.

Example. In July, a hurricane damaged your home, which cost you $164,000 including land. The FMV of the property (both building and land) immediately before the storm was $170,000 and its FMV immediately after the storm was $100,000. Your household furnishings were also damaged. You separately figured the loss on each damaged household item and arrived at a total loss of $600.

You collected $50,000 from the insurance company for the damage to your home, but your household furnishings were not insured. Your adjusted gross income for the year the hurricane occurred is $65,000. You figure your casualty loss deduction from the hurricane in the following manner.

1. Adjusted basis of real property (cost in this example)	$164,000
2. FMV of real property before hurricane	$170,000
3. FMV of real property after hurricane	100,000
4. Decrease in FMV of real property (line 2 − line 3)	$70,000
5. Loss on real property (smaller of line 1 or line 4)	$70,000
6. Subtract insurance	50,000
7. Loss on real property after reimbursement	$20,000
8. Loss on furnishings	$600
9. Subtract insurance	-0-
10. Loss on furnishings after reimbursement	$600
11. Total loss (line 7 plus line 10)	$20,600
12. Subtract $100	100
13. Loss after $100 rule	$20,500
14. Subtract 10% of $65,000 AGI	6,500
15. **Casualty loss deduction**	**$ 14,000**

Property used partly for business and partly for personal purposes. When property is used partly for personal purposes and partly for business or income-producing purposes, the casualty or theft loss deduction must be figured separately for the personal-use portion and for the business or income-producing portion. You must figure each loss separately because the losses attributed to these two uses are figured in two different ways. When figuring each loss, allocate the total cost or basis, the FMV before and after the casualty or theft loss, and the insurance or other reimbursement between the business and personal use of the property. The $100 rule and the 10% rule apply only to the casualty or theft loss on the personal-use portion of the property.

Example. You own a building that you constructed on leased land. You use half of the building for your business and you live in the other half. The cost of the building was

$400,000. You made no further improvements or additions to it.

A flood in March damaged the entire building. The FMV of the building was $380,000 immediately before the flood and $320,000 afterwards. Your insurance company reimbursed you $40,000 for the flood damage. Depreciation on the business part of the building before the flood totaled $24,000. Your adjusted gross income for the year the flood occurred is $125,000.

You have a deductible business casualty loss of $10,000. You do not have a deductible personal casualty loss because of the 10% rule. You figure your loss as follows.

	Business Part	Personal Part
1. Cost (total $400,000)	$200,000	$200,000
2. Subtract depreciation	24,000	-0-
3. Adjusted basis	$176,000	$200,000
4. FMV before flood (total $380,000)	$190,000	$190,000
5. FMV after flood (total $320,000)	160,000	160,000
6. Decrease in FMV (line 4 – line 5)	$30,000	$30,000
7. Loss (smaller of line 3 or line 6)	$30,000	$30,000
8. Subtract insurance	20,000	20,000
9. Loss after reimbursement	$10,000	$10,000
10. Subtract $100 on personal-use property	-0-	100
11. Loss after $100 rule	$10,000	$9,900
12. Subtract 10% of $125,000 AGI on personal-use property	-0-	12,500
13. **Deductible business loss**	**$10,000**	
14. **Deductible personal loss**		**$ -0-**

Figuring a Gain

If you receive an insurance payment or other reimbursement that is more than your adjusted basis in the destroyed, damaged, or stolen property, you have a gain from the casualty or theft. Your gain is figured as follows.

- The amount you receive (discussed next), minus
- Your adjusted basis in the property at the time of the casualty or theft. See *Adjusted Basis*, earlier, for information on adjusted basis.

Even if the decrease in FMV of your property is smaller than the adjusted basis of your property, use your adjusted basis to figure the gain.

Amount you receive. The amount you receive includes any money plus the value of any property you receive minus any expenses you have in obtaining reimbursement. It also includes any reimbursement used to pay off a mortgage or other lien on the damaged, destroyed, or stolen property.

Example. A hurricane destroyed your personal residence and the insurance company awarded you $145,000. You received $140,000 in cash. The remaining $5,000 was paid directly to the holder of a mortgage on the property. The amount you received includes the $5,000 reimbursement paid on the mortgage.

Main home destroyed. If you have a gain because your main home was destroyed, you generally can exclude the gain from your income as if you had sold or exchanged your home. You may be able to exclude up to $250,000 of the gain (up to $500,000 if married filing jointly). To exclude a gain, you generally must have owned and lived in the property as your main home for at least 2 years during the 5-year period ending on the date it was destroyed. For information on this exclusion, see Publication 523. If your gain is more than the amount you can exclude, but you buy replacement property, you may be able to postpone reporting the excess gain. See *Postponement of Gain,* later.

Reporting a gain. You generally must report your gain as income in the year you receive the reimbursement. However, you do not have to report your gain if you meet certain requirements and choose to postpone reporting the gain according to the rules explained under *Postponement of Gain,* next.

For information on how to report a gain, see *How To Report Gains and Losses,* later.

CAUTION

If you have a casualty or theft gain on personal-use property that you choose to postpone reporting (as explained next) and you also have another casualty or theft loss on personal-use property, do not consider the gain you are postponing when figuring your casualty or theft loss deduction. See 10% Rule *under* Deduction Limits, *earlier.*

Postponement of Gain

Do not report a gain if you receive reimbursement in the form of property similar or related in service or use to the destroyed or stolen property. Your basis in the new property is generally the same as your adjusted basis in the property it replaces.

You must ordinarily report the gain on your stolen or destroyed property if you receive money or unlike property as reimbursement. However, you can choose to postpone reporting the gain if you purchase property that is similar or related in service or use to the stolen or destroyed property within a specified replacement period, discussed later. You also can choose to postpone reporting the gain if you purchase a controlling interest (at least 80%) in a corporation owning property that is similar or related in service or use to the property. See *Controlling interest in a corporation,* later.

If you have a gain on damaged property, you can postpone reporting the gain if you spend the reimbursement to restore the property.

To postpone reporting all the gain, the cost of your replacement property must be at least as much as the reimbursement you receive. If the cost of the replacement property is less than the reimbursement, you must include the gain in your income up to the amount of the unspent reimbursement.

Example. In 1970, you bought an oceanfront cottage for your personal use at a cost of $18,000. You made no further improvements or additions to it. When a storm destroyed the cottage this January, the cottage was worth $250,000. You received $146,000 from the insurance company in March. You had a gain of $128,000 ($146,000 – $18,000).

You spent $144,000 to rebuild the cottage. Since this is less than the insurance proceeds received, you must include $2,000 ($146,000 – $144,000) in your income.

Buying replacement property from a related person. You cannot postpone reporting a gain from a casualty or theft if you buy the replacement property from a related person (discussed later). This rule applies to the following taxpayers.

1. C corporations.
2. Partnerships in which more than 50% of the capital or profits interest is owned by C corporations.
3. All others (including individuals, partnerships — other than those in (2) — and S corporations) if the total realized gain for the tax year on all destroyed or stolen properties on which there are realized gains is more than $100,000.

For casualties and thefts described in (3) above, gains cannot be offset by any losses when determining whether the total gain is more than $100,000. If the property is owned by a partnership, the $100,000 limit applies to the partnership and each partner. If the property is owned by an S corporation, the $100,000 limit applies to the S corporation and each shareholder.

Exception. This rule does not apply if the related person acquired the property from an unrelated person within the period of time allowed for replacing the destroyed or stolen property.

Related persons. Under this rule, related persons include, for example, a parent and child, a brother and sister, a corporation and an individual who owns more than 50% of its outstanding stock, and two partnerships in which the same C corporations own more than 50% of the capital or profits interests. For more information on related persons, see *Nondeductible Loss* under *Sales and Exchanges Between Related Persons* in chapter 2 of Publication 544.

Death of a taxpayer. If a taxpayer dies after having a gain but before buying replacement property, the gain must be reported for the year in which the decedent realized the gain. The executor of the estate or the person succeeding to the funds from the casualty or theft cannot postpone reporting the gain by buying replacement property.

Replacement Property

You must buy replacement property for the specific purpose of replacing your destroyed or stolen property. Property you acquire as a gift or inheritance does not qualify.

You do not have to use the same funds you receive as reimbursement for your old property to acquire the replacement property. If you spend the money you receive from the insurance company for other purposes, and borrow money to buy replacement property, you can still postpone reporting the gain if you meet the other requirements.

Advance payment. If you pay a contractor in advance to replace your destroyed or stolen property, you are not considered to have bought replacement property unless it is finished before the end of the replacement period. See *Replacement Period,* later.

Similar or related in service or use. Replacement property must be similar or related in service or use to the property it replaces.

Timber loss. Standing timber you bought with the proceeds from the sale of timber downed by a casualty (such as high winds, earthquakes, or volcanic eruptions) qualifies as replacement property. If you bought the standing timber within the specified replacement period, you can postpone reporting the gain.

Owner-user. If you are an owner-user, similar or related in service or use means that replacement property must function in the same way as the property it replaces.

Example. Your home was destroyed by fire and you invested the insurance proceeds in a grocery store. Your replacement property is not similar or related in service or use to the destroyed property. To be similar or related in service or use, your replacement property must also be used by you as your home.

Main home in disaster area. Special rules apply to replacement property related to the damage or destruction of your main home (or its contents) if located in a federally declared disaster area. For more information, see *Gains Realized on Homes in Disaster Areas* in the Instructions for Form 4684.

Owner-investor. If you are an owner-investor, similar or related in service or use means that any replacement property must have a similar relationship of services or uses to you as the property it replaces. You decide this by determining all the following.

- Whether the properties are of similar service to you.
- The nature of the business risks connected with the properties.
- What the properties demand of you in the way of management, service, and relations to your tenants.

Example. You owned land and a building you rented to a manufacturing company. The building was destroyed by fire. During the replacement period, you had a new building constructed. You rented out the new building for use as a wholesale grocery warehouse. Because the replacement property is also rental property, the two properties are considered similar or related in service or use if there is a similarity in all the following areas.

- Your management activities.
- The amount and kind of services you provide to your tenants.
- The nature of your business risks connected with the properties.

Business or income-producing property located in a federally declared disaster area. If your destroyed business or income-producing property was located in a federally declared disaster area, any tangible replacement property you acquire for use in any business is treated as similar or related in service or use to the destroyed property. For more information, see *Disaster Area Losses,* later.

Controlling interest in a corporation. You can replace property by acquiring a controlling interest in a corporation that owns property similar or related in service or use to your damaged, destroyed, or stolen property. You can postpone reporting your entire gain if the cost of the stock that gives you a controlling interest is at least as much as the amount received (reimbursement) for your property. You have a controlling interest if you own stock having at least 80% of the combined voting power of all classes of voting stock and at least 80% of the total number of shares of all other classes of stock.

Basis adjustment to corporation's property. The basis of property held by the corporation at the time you acquired control must be reduced by the amount of your postponed gain, if any. You are not required to reduce the adjusted basis of the corporation's properties below your adjusted basis in the corporation's stock (determined after reduction by the amount of your postponed gain).

Allocate this reduction to the following classes of property in the order shown below.

1. Property that is similar or related in service or use to the destroyed or stolen property.
2. Depreciable property not reduced in (1).
3. All other property.

If two or more properties fall in the same class, allocate the reduction to each property in proportion to the adjusted bases of all the properties in that class. The reduced basis of any single property cannot be less than zero.

Main home replaced. If your gain from the reimbursement you receive because of the destruction of your main home is more than the amount you can exclude from your income (see *Main home destroyed* under *Figuring a Gain,* earlier), you can postpone reporting the excess gain by buying replacement property that is similar or related in service or use. To postpone reporting all the excess gain, the replacement property must cost at least as much as the amount you received because of the destruction minus the excluded gain.

Also, if you postpone reporting any part of your gain under these rules, you are treated as having owned and used the replacement property as your main home for the period you owned and used the destroyed property as your main home.

Basis of replacement property. You must reduce the basis of your replacement property (its cost) by the amount of postponed gain. In this way, tax on the gain is postponed until you dispose of the replacement property.

Example. A fire destroyed your rental home that you never lived in. The insurance company reimbursed you $67,000 for the property, which had an adjusted basis of $62,000. You had a gain of $5,000 from the casualty. If you have another rental home constructed for $110,000 within the replacement period, you can postpone reporting the gain. You will have reinvested all the reimbursement (including your entire gain) in the new rental home. Your basis for the new rental home will be $105,000 ($110,000 cost − $5,000 postponed gain).

Replacement Period

To postpone reporting your gain, you must buy replacement property within a specified period of time. This is the replacement period.

The replacement period begins on the date your property was damaged, destroyed, or stolen.

The replacement period ends 2 years after the close of the first tax year in which any part of your gain is realized.

Example. You are a calendar year taxpayer. While you were on vacation, a valuable piece of antique furniture that cost $2,200 was stolen from your home. You discovered the theft when you return home on August 10, 2008. Your insurance company investigated the theft and did not settle your claim until January 2, 2009, when they paid you $3,000. You first realized a gain from the reimbursement for the theft during 2009, so you have until December 31, 2011, to replace the property.

Main home in disaster area. For your main home (or its contents) located in a federally declared disaster area, the replacement period generally ends 4 years after the close of the first tax year in which any part of your gain is realized. See *Disaster Area Losses,* later.

Example. You are a calendar year taxpayer. A hurricane destroyed your home in September 2008. In December 2008, the insurance company paid you $3,000 more than the adjusted basis of your home. The area in which your home is located is not a federally declared disaster area. You first realized a gain from the reimbursement for the casualty in 2008, so you have until December 31, 2010, to replace the property. If your home had been in a federally declared disaster area, you would have until December 31, 2012 to replace the property.

Property in a Midwestern disaster area. For property located in a Midwestern disaster area that was destroyed, damaged or stolen as a result of severe storms, tornadoes, or flooding, the replacement period ends 5 years after the close of the first tax year in which any part of your gain is realized. This 5-year replacement period applies only if substantially all of the use of the replacement property is in a Midwestern disaster area.

Midwestern disaster areas are defined on page 1 under *What's New for 2008.*

Property in the Kansas disaster area. For property located in the Kansas disaster area that was destroyed, damaged, or stolen after May 3, 2007, as a result of storms and tornadoes, the replacement period ends 5 years after the close of the first tax year in which any part of your gain is realized. This 5-year replacement period applies only if substantially all of the use of the replacement property is in the Kansas disaster area.

The Kansas disaster area is defined on page 1 under *What's New for 2008.*

Property in the Hurricane Katrina disaster area. For property located in the Hurricane Katrina disaster area that was destroyed, damaged, or stolen after August 24, 2005, as a result

Table 3. **When To Deduct a Casualty or Theft Loss**

IF you have a loss...	THEN deduct it in the year...
from a casualty	the loss occurred.
in a federally declared disaster area	the disaster occurred or the year immediately before the disaster.
from a theft	the theft was discovered.
on a deposit treated as a casualty	a reasonable estimate can be made.

of Hurricane Katrina, the replacement period ends 5 years after the close of the first tax year in which any part of your gain is realized. This 5-year replacement period applies only if substantially all of the use of the replacement property is in the Hurricane Katrina disaster area.

Property in the New York Liberty Zone. For property located in the New York Liberty Zone that was damaged or destroyed as a result of the September 11, 2001, terrorist attacks, the replacement period ends 5 years after the close of the first tax year in which any part of your gain is realized. This 5-year replacement period applies only if substantially all of the use of the replacement property is in the City of New York, New York.

Area defined. The New York Liberty Zone is the area located on or south of Canal Street, East Broadway (east of its intersection with Canal Street), or Grand Street (east of its intersection with East Broadway) in the Borough of Manhattan in the City of New York, New York.

Extension. You can apply for an extension of the replacement period. Send your written application to the Internal Revenue Service Center where you file your tax return. See your tax return instructions for the address. Your application must contain all the details about the need for the extension. You should make the application before the end of the replacement period.

However, you can file an application within a reasonable time after the replacement period ends if you have a good reason for the delay. An extension may be granted if you can show that there is reasonable cause for not making the replacement within the regular period.

Ordinarily, requests for extensions are not made or granted until near the end of the replacement period or the extended replacement period. Extensions are usually limited to a period of not more than 1 year. The high market value or scarcity of replacement property is not sufficient grounds for granting an extension. If your replacement property is being constructed and you clearly show that the construction cannot be completed within the replacement period, you may be granted an extension of the period.

How To Postpone a Gain

You postpone reporting your gain from a casualty or theft by reporting your choice on your tax return for the year you have the gain. You have the gain in the year you receive insurance proceeds or other reimbursements that result in a gain.

If a partnership or a corporation owns the stolen or destroyed property, only the partnership or corporation can choose to postpone reporting the gain.

Required statement. You should attach a statement to your return for the year you have the gain. This statement should include the following.

- The date and details of the casualty or theft.
- The insurance or other reimbursement you received from the casualty or theft.
- How you figured the gain.

Replacement property acquired before return filed. If you acquire replacement property before you file your return for the year you have the gain, your statement should also include detailed information about all of the following.

- The replacement property.
- The postponed gain.
- The basis adjustment that reflects the postponed gain.
- Any gain you are reporting as income.

Replacement property acquired after return filed. If you intend to acquire replacement property after you file your return for the year in which you have the gain, your statement should also state that you are choosing to replace the property within the required replacement period.

You should then attach another statement to your return for the year in which you acquire the replacement property. This statement should contain detailed information on the replacement property.

If you acquire part of your replacement property in one year and part in another year, you must make a statement for each year. The statement should contain detailed information on the replacement property bought in that year.

Substituting replacement property. Once you have acquired qualified replacement property that you designate as replacement property in a statement attached to your tax return, you cannot later substitute other qualified replacement property. This is true even if you acquire the other property within the replacement period. However, if you discover that the original replacement property was not qualified replacement property, you can (within the replacement period) substitute the new qualified replacement property.

Amended return. You must file an amended return (individuals use Form 1040X) for the tax year of the gain in either of the following situations.

- You do not acquire replacement property within the required replacement period plus extensions. On this amended return, you must report the gain and pay any additional tax due.
- You acquire replacement property within the required replacement period plus extensions, but at a cost less than the amount you receive for the casualty or theft. On this amended return, you must report the portion of the gain that cannot be postponed and pay any additional tax due.

Three-year limit. The period for assessing tax on any gain ends 3 years after the date you notify the director of the Internal Revenue Service for your area of any of the following.

- You replaced the property.
- You do not intend to replace the property.
- You did not replace the property within the replacement period.

Changing your mind. You can change your mind about whether to report or to postpone reporting your gain at any time before the end of the replacement period.

Example. Your property was stolen in 2007. Your insurance company reimbursed you $10,000, of which $5,000 was a gain. You reported the $5,000 gain on your return for 2007 (the year you realized the gain) and paid the tax due. In 2008 you bought replacement property. Your replacement property cost $9,000. Since you reinvested all but $1,000 of your reimbursement, you can now postpone reporting $4,000 ($5,000 – $1,000) of your gain.

To postpone reporting your gain, file an amended return for 2007 using Form 1040X. You should attach an explanation showing that you previously reported the entire gain from the theft but you now want to report only the part of the gain ($1,000) equal to the part of the reimbursement not spent for replacement property.

When To Report Gains and Losses

Gains. If you receive an insurance or other reimbursement that is more than your adjusted basis in the destroyed or stolen property, you have a gain from the casualty or theft. You must include this gain in your income in the year you receive the reimbursement, unless you choose to postpone reporting the gain as explained earlier.

Losses. Generally, you can deduct a casualty loss that is not reimbursable only in the tax year in which the casualty occurred. This is true even if you do not repair or replace the damaged property until a later year. (However, see *Disaster Area Losses,* later, for an exception.)

You can deduct theft losses that are not reimbursable only in the year you discover your property was stolen.

If you are not sure whether part of your casualty or theft loss will be reimbursed, do not deduct that part until the tax year when you become reasonably certain that it will not be reimbursed.

Loss on deposits. If your loss is a loss on deposits at an insolvent or bankrupt financial institution, see *Loss on Deposits,* earlier.

Lessee's loss. If you lease property from someone else, you can deduct a loss on the property in the year your liability for the loss is fixed. This is true even if the loss occurred or the liability was paid in a different year. You are not entitled to a deduction until your liability under the lease can be determined with reasonable accuracy. Your liability can be determined when a claim for recovery is settled, adjudicated, or abandoned.

Disaster Area Losses

This section discusses the special rules that apply to federally declared disaster area losses (including Kansas and Midwestern disaster area losses). It contains information on when you can deduct your loss, how to claim your loss, how to treat your home in a disaster area, and what tax deadlines may be postponed. It also lists Federal Emergency Management Agency (FEMA) phone numbers. (See *Contacting the Federal Emergency Management Agency (FEMA),* later.)

A federally declared disaster is a disaster that occurred in an area declared by the President to be eligible for federal assistance under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. It includes a major disaster or emergency declaration under the Act.

New rules applicable to federally declared disaster losses. The following new rules apply to losses of personal use property attributable to federally declared disasters declared in tax years beginning after 2007 and that occur before 2010. They do **not** apply to losses in Midwestern disaster areas.

1. The net disaster loss (defined in (3) below) is not subject to the 10% of adjusted gross income limit.
2. You can deduct a net disaster loss even if you do not itemize your deductions on Schedule A (Form 1040). You do this by completing Form 4684 and entering your net disaster loss on line 6 of the *Standard Deduction Worksheet-Line 40* in the Form 1040 Instructions.
3. Your net disaster loss is the excess of—
   a. Your personal casualty losses attributable to a federally declared disaster and occurring in a disaster area, over
   b. Your personal casualty gains.

TIP *A list of the areas warranting public or individual assistance (or both) under the Act for 2008 is available at the Federal Emergency Management Agency (FEMA) web site at www.fema.gov.*

When to deduct the loss. You generally must deduct a casualty loss in the year it occurred. However, if you have a casualty loss from a federally declared disaster or a Kansas disaster that occurred in an area warranting public or individual assistance (or both) or from a Midwestern disaster, you can choose to deduct that loss on your return or amended return for the tax year immediately preceding the tax year in which the disaster happened. If you make this choice, the loss is treated as having occurred in the preceding year.

TIP *Claiming a qualifying disaster loss on the previous year's return may result in a lower tax for that year, often producing or increasing a cash refund.*

If you do not choose to deduct your loss on your return for the earlier year, deduct it on your return for the year in which the disaster occurred.

Example. You are a calendar year taxpayer. A flood damaged your home this June. The flood damaged or destroyed a considerable amount of property in your town. Your town is located in an area designated by FEMA for public or individual assistance (or both). You can choose to deduct the flood loss on your home on last year's tax return. (See *How to deduct your loss in the preceding year*, later.)

Disaster loss to inventory. If your inventory loss is from a disaster in an area designated by FEMA for public or individual assistance (or both), you may choose to deduct the loss on your return or amended return for the immediately preceding year. However, decrease your opening inventory for the year of the loss so that the loss will not be reported again in inventories.

Main home in disaster area. If your home is located in a federally declared disaster area, the Kansas disaster area, or Midwestern disaster area, you can postpone reporting the gain if you spend the reimbursement to repair or replace your home. Special rules apply to replacement property related to the damage or destruction of your main home (or its contents) if located in these areas. For more information, see *Gains Realized on Homes in Disaster Areas* in the Instructions for Form 4684.

Home made unsafe by disaster. If your home is located in a federally declared disaster area, the Kansas disaster area, or Midwestern disaster area, your state or local government may order you to tear it down or move it because it is no longer safe to live in because of the disaster. If this happens, treat the loss in value as a casualty loss from a disaster. Your state or local government must issue the order for you to tear down or move the home within 120 days after the area is declared a disaster area.

Figure your loss in the same way as for casualty losses of personal-use property. (See *Figuring a Loss,* earlier.) In determining the decrease in FMV, use the value of your home before you move it or tear it down as its FMV after the casualty.

Unsafe home. Your home will be considered unsafe only if both of the following apply.

- Your home is substantially more dangerous after the disaster than it was before the disaster.
- The danger is from a substantially increased risk of future destruction from the disaster.

You do not have a casualty loss if your home is unsafe due to dangerous conditions existing before the disaster. (For example, your house is located in an area known for severe storms.) This is true even if your home is condemned.

Example. Due to a severe storm, the President declared the county you live in a federal disaster area. Although your home has only minor damage from the storm, a month later the county issues a demolition order. This order is based on a finding that your home is unsafe due to nearby mud slides caused by the storm. The loss in your home's value because the mud slides made it unsafe is treated as a casualty loss from a disaster. The loss in value is the difference between your home's FMV immediately before the disaster and immediately after the disaster.

How to deduct your loss in the preceding year. If you choose to deduct your loss on your return or amended return for the tax year immediately preceding the tax year in which the disaster happened, include a statement saying that you are making that choice. The statement can be made on the return or can be filed with the return. The statement should specify the date or dates of the disaster and the city, town, county, and state where the damaged or destroyed property was located at the time of the disaster.

Time limit for making choice. You must make this choice to take your casualty loss for the disaster in the preceding year by the later of the following dates.

- The due date (without extensions) for filing your income tax return for the tax year in which the disaster actually occurred.
- The due date (with extensions) for filing the return for the preceding tax year.

Example. If you are a calendar year taxpayer, you ordinarily have until April 15, 2009, to amend your 2007 tax return to claim a casualty loss that occurred during 2008.

Revoking your choice. You can revoke your choice within 90 days after making it by returning to the Internal Revenue Service any refund or credit you received from making the choice. However, if you revoke your choice before receiving a refund, you must return the refund within 30 days after receiving it for the revocation to be effective.

Figuring the loss deduction. You must figure the loss under the usual rules for casualty losses, as if it occurred in the year preceding the disaster.

Example. A disaster damaged your main home and destroyed your furniture in 2008. This was your only casualty loss for the year. Your home is located in a federally declared disaster area designated by FEMA for public or individual assistance (or both). The cost of your home and land was $134,000. The FMV immediately before the disaster was $147,500 and the FMV immediately afterward was $100,000. You separately figured the loss on each item of furniture (see *Figuring the Deduction,* earlier) and arrived at a total loss for furniture of $3,000. Your insurance did not cover this type of casualty loss, and you expect no reimbursement for either your home or your furniture.

You choose to amend your 2007 return to claim your casualty loss for the disaster. You figure your deductible net disaster loss as follows:

	House	Furnishings
1. Cost	$134,000	$10,000
2. FMV before disaster	$147,500	$8,000
3. FMV after disaster	100,000	5,000
4. Decrease in FMV (line 2 – line 3)	$47,500	$3,000
5. Smaller of line 1 or line 4	$47,500	$3,000
6. Subtract estimated insurance	-0-	-0-
7. Loss after reimbursement	$ 47,500	$3,000
8. Total loss		$50,500
9. Subtract $100		100
10. Loss after $100 rule		$50,400
11. Subtract personal casualty gains		0
12. **Amount of deductible net disaster loss**		**$50,400**

You can deduct the net disaster loss as an itemized deduction or as part of your standard deduction for 2007.

Claiming a disaster loss on an amended return. If you have already filed your return for the preceding year, you can claim a disaster loss against that year's income by filing an amended return. Individuals file an amended return on Form 1040X.

How to report the loss on Form 1040X. You should adjust your deductions on Form 1040X. The instructions for Form 1040X show how to do this. Explain the reasons for your adjustment and attach Form 4684 to show how you figured your loss. See *Figuring a Loss,* earlier.

If the damaged or destroyed property was personal use property, you generally can deduct the net disaster loss as an itemized deduction on Schedule A (Form 1040) or as part of your standard deduction. **However**, if the property meets any of the following conditions, you must itemize your deductions to deduct the loss.

- The damaged or destroyed property was personal use property **and** was located in the Kansas disaster area or a Midwestern disaster area.
- The damaged or destroyed property was income-producing property.
- The damaged or destroyed property was employee property.

If the property meets any of the above conditions or you want to deduct the net disaster loss as an itemized deduction and you did not itemize your deductions on your original return, you must first determine whether the casualty loss deduction now makes it advantageous for you to itemize. It is advantageous to itemize if the total of the casualty loss deduction and any other itemized deductions is more than your standard deduction. If you itemize, attach Schedule A (Form 1040) and Form 4684 to your amended return. Use the 2008 version of Form 4684 if you are deducting a loss of personal use property in 2007. At the top of the form, cross out "2008" and write "2007". If you are deducting a Kansas disaster area loss, use the 2006 version of Form 4684. At the top of the form, cross out "2006" and write "2007" if you are deducting the loss on your 2007 tax return. Fill out Form 1040X to refigure your tax on the rest of the form to find your refund.

Records. You should keep the records that support your loss deduction. You do not have to attach them to the amended return.

If your records were destroyed or lost, you may have to reconstruct them. Information about reconstructing records is available at *www.irs.gov/newsroom/*. Type "reconstructing your records" in the search box.

Need a copy of your tax return for the preceding year? It will be easier to prepare Form 1040X if you have a copy of your tax return for the preceding year. If you had your tax return completed by a tax preparer, he or she should be able to provide you with a copy of your return. If not, you can get a copy by filing Form 4506 with the IRS. There is a $57 fee (subject to change) for each return requested. However, if your main home, principal place of business, or tax records are located in a federally declared disaster area, this fee will be waived. Write the name of the disaster in the top margin of Form 4506 (for example, "Hurricane Katrina").

Federal loan canceled. If part of your federal disaster loan was canceled under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, it is considered to be reimbursement for the loss. The cancellation reduces your casualty loss deduction.

Federal disaster relief grants. Do not include post-disaster relief grants received under the Robert T. Stafford Disaster Relief and Emergency Assistance Act in your income if the grant payments are made to help you meet necessary expenses or serious needs for medical, dental, housing, personal property, transportation, or funeral expenses. Do not deduct casualty losses or medical expenses to the extent they are specifically reimbursed by these disaster relief grants. If the casualty loss was specifically reimbursed by the grant and you received the grant after the year in which you deducted the casualty loss, see *Reimbursement Received After Deducting Loss* earlier. Unemployment assistance payments under the Act are taxable unemployment compensation.

State disaster relief grants for businesses. A grant that a business receives under a state program to reimburse businesses for losses incurred for damage or destruction of property because of a disaster is not excludable from income under the general welfare exclusion, as a gift, as a qualified disaster relief payment (explained next), or as a contribution to capital. However, the business can choose to postpone reporting gain realized from the grant if it buys qualifying replacement property within a certain period of time. See *Postponement of Gain* earlier for the rules that apply.

Qualified disaster relief payments. Qualified disaster relief payments are not included in the income of individuals to the extent any expenses compensated by these payments are not otherwise compensated for by insurance or other reimbursement. These payments are not subject to income tax, self-employment tax, or employment taxes (social security, Medicare, and federal unemployment taxes). No withholding applies to these payments.

Qualified disaster relief payments include payments you receive (regardless of the source) for the following expenses.

- Reasonable and necessary personal, family, living, or funeral expenses incurred as a result of a federally declared disaster.
- Reasonable and necessary expenses incurred for the repair or rehabilitation of a personal residence due to a federally declared disaster. (A personal residence can be a rented residence or one you own.)
- Reasonable and necessary expenses incurred for the repair or replacement of the contents of a personal residence due to a federally declared disaster.

Qualified disaster relief payments also include amounts paid to individuals affected by the disaster by a federal, state, or local government in connection with a federally declared disaster.

CAUTION

Qualified disaster relief payments do not include:

- *Payments for expenses otherwise paid for by insurance or other reimbursements, or*
- *Income replacement payments, such as payments of lost wages, lost business income, or unemployment compensation.*

Qualified disaster mitigation payments. Qualified disaster mitigation payments made under the Robert T. Stafford Disaster Relief and Emergency Assistance Act or the National Flood Insurance Act (as in effect on April 15, 2005) are not included in income. These are payments you, as a property owner, receive to reduce the risk of future damage to your property. You cannot increase your basis in the property, or take a deduction or credit, for expenditures made with respect to those payments.

Sale of property under hazard mitigation program. Generally, if you sell or otherwise transfer property, you must recognize any gain or loss for tax purposes unless the property is your main home. You report the gain or deduct the loss on your tax return for the year you realize it. (You cannot deduct a loss on personal-use property unless the loss resulted from a casualty, as discussed earlier.) However, if you sell or otherwise transfer property to the Federal Government, a state or local government, or an Indian tribal government under a hazard mitigation program, you can choose to postpone reporting the gain if you buy qualifying replacement property within a certain period of time. See *Postponement of Gain* earlier for the rules that apply.

Gains. Special rules apply if you choose to postpone reporting gain on property damaged or destroyed in a federally declared disaster area. For these special rules, see the following discussions.

- *Main home in disaster area* earlier under *Replacement Property.*
- *Business or income-producing property located in a federally declared disaster area* earlier under *Replacement Property.*
- *Main home in disaster area* earlier under *Replacement Period.*
- *Property in a Midwestern disaster area* earlier under *Replacement Period.*
- *Property in the Kansas disaster area* earlier under *Replacement Period.*

- *Property in the Hurricane Katrina disaster area* earlier under *Replacement Period.*
- *Property in the New York Liberty Zone* earlier under *Replacement Period.*

Postponed Tax Deadlines

The IRS may postpone for up to one year certain tax deadlines of taxpayers who are affected by a federally declared disaster. The tax deadlines the IRS may postpone include those for filing income, excise, and employment tax returns, paying income, excise, and employment taxes, and making contributions to a traditional IRA or Roth IRA.

If any tax deadline is postponed, the IRS will publicize the postponement in your area and publish a news release, revenue ruling, revenue procedure, notice, announcement, or other guidance in the Internal Revenue Bulletin (IRB).

Who is eligible. If the IRS postpones a tax deadline, the following taxpayers are eligible for the postponement.

- Any individual whose main home is located in a covered disaster area (defined later).
- Any business entity or sole proprietor whose principal place of business is located in a covered disaster area.
- Any individual who is a relief worker affiliated with a recognized government or philanthropic organization and who is assisting in a covered disaster area.
- Any individual, business entity, or sole proprietor whose records are needed to meet a postponed deadline, provided those records are maintained in a covered disaster area. The main home or principal place of business does not have to be located in the covered disaster area.
- Any estate or trust that has tax records necessary to meet a postponed tax deadline, provided those records are maintained in a covered disaster area.
- The spouse on a joint return with a taxpayer who is eligible for postponements.
- Any other person determined by the IRS to be affected by a federally declared disaster.

Covered disaster area. This is an area of a federally declared disaster in which the IRS has decided to postpone tax deadlines for up to 1 year.

Abatement of interest and penalties. The IRS may abate the interest and penalties on underpaid income tax for the length of any postponement of tax deadlines.

Contacting the Federal Emergency Management Agency (FEMA)

If you live in an area that was declared a disaster area by the President, you can get information from FEMA by visiting its website at *www.fema.gov*, or calling the following phone numbers. These numbers are only activated after a federally declared disaster.

- 1-800-621-3362.
- 1-800-462-7585, if you are a TTY/TDD user.

Table 4. **Midwestern Disaster Areas**

The counties listed below are in Midwestern disaster areas. Disaster losses occurring in these counties on the applicable disaster dates qualify for the waiver of the $100 and 10% of adjusted gross income limits and for the 5-year replacement period.

Applicable Disaster Date*	State	Affected Counties — Midwestern Disaster Areas
05/02/2008	Arkansas	Arkansas, Benton, Cleburne, Conway, Crittenden, Grant, Lonoke, Mississippi, Phillips, Pulaski, Saline, and Van Buren.
06/01/2008	Illinois	Adams, Calhoun, Clark, Coles, Crawford, Cumberland, Douglas, Edgar, Greene, Hancock, Henderson, Jasper, Jersey, Lake, Lawrence, Madison, Mercer, Monroe, Pike, Randolph, Rock Island, St. Clair, Scott, Whiteside, and Winnebago
06/06/2008	Indiana	Adams, Bartholomew, Benton, Boone, Brown, Clay, Daviess, Dearborn, Decatur, Fountain, Franklin, Gibson, Grant, Greene, Hamilton, Hancock, Hendricks, Henry, Huntington, Jackson, Jay, Jefferson, Jennings, Johnson, Knox, Lawrence, Madison, Marion, Montgomery, Monroe, Morgan, Ohio, Owen, Parke, Pike, Posey, Putnam, Randolph, Ripley, Rush, Shelby, Sullivan, Switzerland, Tippecanoe, Union, Vermillion, Vigo, Wabash, Washington, and Wayne.
05/25/2008	Iowa	Adair, Adams, Allamakee, Appanoose, Audubon, Benton, Black Hawk, Boone, Bremer, Buchanan, Butler, Carroll, Cass, Cedar, Cerro Gordo, Cherokee, Chickasaw, Clarke, Clayton, Clinton, Crawford, Dallas, Davis, Decatur, Delaware, Des Moines, Dubuque, Fayette, Floyd, Franklin, Fremont, Greene, Grundy, Guthrie, Hamilton, Hancock, Hardin, Harrison, Henry, Howard, Humboldt, Iowa, Jackson, Jasper, Johnson, Jones, Keokuk, Kossuth, Lee, Linn, Louisa, Lucas, Lyon, Madison, Mahaska, Marion, Marshall, Mills, Mitchell, Monona, Monroe, Montgomery, Muscatine, Page, Palo Alto, Pocahontas, Polk, Pottawattamie, Poweshiek, Ringgold, Scott, Story, Tama, Taylor, Union, Van Buren, Wapello, Warren, Washington, Wayne, Webster, Winneshiek, Winnebago, Worth, and Wright.
05/22/2008	Kansas	Barber, Barton, Bourbon, Brown, Butler, Chautauqua, Cherokee, Clark, Clay, Comanche, Cowley, Crawford, Decatur, Dickinson, Edwards, Elk, Ellis, Ellsworth, Franklin, Gove, Graham, Harper, Haskell, Hodgeman, Jackson, Jewell, Kingman, Kiowa, Lane, Linn, Logan, Mitchell, Montgomery, Ness, Norton, Osborne, Pawnee, Phillips, Pratt, Reno, Republic, Riley, Rooks, Rush, Saline, Seward, Sheridan, Smith, Stafford, Sumner, Thomas, Trego, Wallace, and Wilson.
06/06/2008	Michigan	Allegan, Barry, Eaton, Ingham, Lake, Manistee, Mason, Missaukee, Osceola, Ottawa, Saginaw, and Wexford.
06/07/2008	Minnesota	Cook, Fillmore, Freeborn, Houston, Mower, and Nobles.
05/10/2008	Missouri	Barry, Jasper, and Newton.
06/01/2008	Missouri	Adair, Andrew, Atchison, Audrain, Bates, Buchanan, Callaway, Cape Girardeau, Carroll, Cass, Chariton, Christian, Clark, Daviess, Gentry, Greene, Grundy, Harrison, Holt, Howard, Jefferson, Johnson, Knox, Lewis, Lincoln, Linn, Livingston, Macon, Marion, Mercer, Miller, Mississippi, Monroe, Morgan, New Madrid, Nodaway, Pemiscot, Perry, Pettis, Pike, Platte, Polk, Putnam, Ralls, Randolph, Ray, Saline, Schuyler, Scotland, Shelby, St. Charles, St. Genevieve, St. Louis, the Independent City of St. Louis, Scott, Stone, Sullivan, Taney, Vernon, Webster, and Worth.
04/23/2008	Nebraska	Gage, Johnson, Morrill, Nemaha, and Pawnee.
05/22/2008	Nebraska	Adams, Blaine, Boone, Boyd, Brown, Buffalo, Burt, Butler, Cass, Chase, Cherry, Colfax, Cuming, Custer, Dawson, Douglas, Dundy, Fillmore, Frontier, Furnas, Gage, Garfield, Gosper, Greeley, Hall, Hamilton, Hayes, Holt, Howard, Jefferson, Johnson, Kearney, Keya Paha, Lancaster, Lincoln, Logan, Loup, Merrick, McPherson, Morrill, Nance, Nemaha, Otoe, Phelps, Platte, Polk, Red Willow, Richardson, Rock, Saline, Sarpy, Saunders, Seward, Sherman, Stanton, Thayer, Thomas, Thurston, Valley, Webster, Wheeler, and York.
06/27/2008	Nebraska	Dodge, Douglas, Sarpy, and Saunders.
06/05/2008	Wisconsin	Adams, Calumet, Crawford, Columbia, Dane, Dodge, Fond du Lac, Grant, Green, Green Lake, Iowa, Jefferson, Juneau, Kenosha, La Crosse, Lafayette, Manitowoc, Marquette, Milwaukee, Monroe, Ozaukee, Racine, Richland, Rock, Sauk, Sheboygan, Vernon, Walworth, Washington, Waukesha, and Winnebago.

*In some cases, the date will be later due to the continuation of the severe storms, tornadoes, or flooding that began on the date shown above. For more details, go to www.FEMA.gov.

How To Report Gains and Losses

How you report gains and losses depends on whether the property was business, income-producing, or personal-use property.

Personal-use property. If you have a loss, use both of the following.

- Form 4684.
- Schedule A (Form 1040), Itemized Deductions.

Note. Do not use Schedule A (Form 1040) if you are deducting a net disaster loss as part of your standard deduction.

If you have a gain, report it on both of the following.

- Form 4684.
- Schedule D (Form 1040), Capital Gains and Losses.

Business and income-producing property. Use Form 4684 to report your gains and losses. You will also have to report the gains and losses on other forms as explained next.

Property held 1 year or less. Individuals report losses from income-producing property and property used in performing services as an employee on Schedule A (Form 1040). Gains from business and income-producing property are combined with losses from business property (other than property used in performing services as an employee) and the net gain or loss is reported on Form 4797. If you are not otherwise required to file Form 4797, only enter the net gain or loss on your tax return on the line identified as from Form 4797. Next to that line, enter "Form 4684." Partnerships and S corporations should see the Form 4684 instructions to find out where to report these gains and losses.

Property held more than 1 year. If your losses from business and income-producing property are more than gains from these types of property, combine your losses from business property (other than property used in performing services as an employee) with total gains from business and income-producing property. Report the net gain or loss as an ordinary gain or loss on Form 4797. If you are not otherwise required to file Form 4797, only enter the net gain or loss on your tax return on the line identified as from Form 4797. Next to that line, enter "Form 4684." Individuals deduct any loss of income-producing property and property used in performing services as an employee on Schedule A (Form 1040). Partnerships and S corporations should see Form 4684 to find out where to report these gains and losses.

If losses from business and income-producing property are less than or equal to gains from these types of property, report the net amount on Form 4797. You may also have to report the gain on Schedule D depending on whether you have other transactions. Partnerships and S corporations should see Form 4684 to find out where to report these gains and losses.

Depreciable property. If the damaged or stolen property was depreciable property held more than 1 year, you may have to treat all or part of the gain as ordinary income to the extent of depreciation allowed or allowable. You figure the ordinary income part of the gain in Part III of Form 4797. See *Depreciation Recapture* in chapter 3 of Publication 544 for more information about the recapture rule.

Adjustments to Basis

If you have a casualty or theft loss, you must decrease your basis in the property by any insurance or other reimbursement you receive and by any deductible loss. The result is your adjusted basis in the property.

You must increase your basis in the property by the amount you spend on repairs that restore the property to its pre-casualty condition. Do not increase your basis in the property by any qualified disaster mitigation payments (discussed earlier under *Disaster Area Losses).* See *Adjusted Basis* in Publication 551 for more information on adjustments to basis.

If Deductions Are More Than Income

If your casualty or theft loss deduction causes your deductions for the year to be more than your income for the year, you may have a net operating loss (NOL). You can use an NOL to lower your tax in an earlier year, allowing you to get a refund for tax you already paid. Or, you can use it to lower your tax in a later year. You do not have to be in business to have an NOL from a casualty or theft loss. For more information, see Publication 536, Net Operating Losses (NOLs) for Individuals, Estates, and Trusts.

How To Get Tax Help

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Contacting your Taxpayer Advocate. The Taxpayer Advocate Service (TAS) is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should.

You can contact the TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059 to see if you are eligible for assistance. You can also call or write your local taxpayer advocate, whose phone number and address are listed in your local telephone directory and in Publication 1546, Taxpayer Advocate Service—Your Voice at the IRS. You can file Form 911, Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order), or ask an IRS employee to complete it on your behalf. For more information, go to *www.irs.gov/advocate*.

Low Income Taxpayer Clinics (LITCs). LITCs are independent organizations that provide low income taxpayers with representation in federal tax controversies with the IRS for free or for a nominal charge. The clinics also provide tax education and outreach for taxpayers who speak English as a second language. Publication 4134, Low Income Taxpayer Clinic List, provides information on clinics in your area. It is available at *www.irs.gov* or your local IRS office.

Free tax services. To find out what services are available, get Publication 910, IRS Guide to Free Tax Services. It contains lists of free tax information sources, including publications, services, and free tax education and assistance programs. It also has an index of over 100 TeleTax topics (recorded tax information) you can listen to on your telephone.

Accessible versions of IRS published products are available on request in a variety of alternative formats for people with disabilities.

Free help with your return. Free help in preparing your return is available nationwide from IRS-trained volunteers. The Volunteer Income Tax Assistance (VITA) program is designed to help low-income taxpayers and the Tax Counseling for the Elderly (TCE) program is designed to assist taxpayers age 60 and older with their tax returns. Many VITA sites offer free electronic filing and all volunteers will let you know about credits and deductions you may be entitled to claim. To find the nearest VITA or TCE site, call 1-800-829-1040.

As part of the TCE program, AARP offers the Tax-Aide counseling program. To find the nearest AARP Tax-Aide site, call 1-888-227-7669 or visit AARP's website at *www.aarp.org/money/taxaide*.

For more information on these programs, go to *www.irs.gov* and enter keyword "VITA" in the upper right-hand corner.

Internet. You can access the IRS website at *www.irs.gov* 24 hours a day, 7 days a week to:

- *E-file* your return. Find out about commercial tax preparation and *e-file* services available free to eligible taxpayers.
- Check the status of your 2008 refund. Go to *www.irs.gov* and click on *Where's My Refund*. Wait at least 72 hours after the IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after mailing a paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2008 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund.
- Download forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Figure your withholding allowances using the withholding calculator online at *www.irs.gov/individuals*.
- Determine if Form 6251 must be filed by using our Alternative Minimum Tax (AMT) Assistant.

- Sign up to receive local and national tax news by email.
- Get information on starting and operating a small business.

Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call 1-800-829-3676 to order current-year forms, instructions, and publications, and prior-year forms and instructions. You should receive your order within 10 days.
- *Asking tax questions.* Call the IRS with your tax questions at 1-800-829-1040.
- *Solving problems.* You can get face-to-face help solving tax problems every business day in IRS Taxpayer Assistance Centers. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to *www.irs.gov/localcontacts* or look in the phone book under *United States Government, Internal Revenue Service*.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call 1-800-829-4477 to listen to pre-recorded messages covering various tax topics.
- *Refund information.* To check the status of your 2008 refund, call 1-800-829-1954 during business hours or 1-800-829-4477 (automated refund information 24 hours a day, 7 days a week). Wait at least 72 hours after the IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after mailing a paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2008 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund. Refunds are sent out weekly on Fridays. If you check the status of your refund and are not given the date it will be issued, please wait until the next week before checking back.
- *Other refund information.* To check the status of a prior year refund or amended return refund, call 1-800-829-1954.

Evaluating the quality of our telephone services. To ensure IRS representatives give accurate, courteous, and professional answers, we use several methods to evaluate the quality of our telephone services. One method is for a second IRS representative to listen in on or record random telephone calls. Another is to ask some callers to complete a short survey at the end of the call.

Walk-in. Many products and services are available on a walk-in basis.

- *Products.* You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, grocery stores, copy centers, city and county government offices, credit unions, and office supply stores have a collection of products available to print from a CD or photocopy from reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.
- *Services.* You can walk in to your local Taxpayer Assistance Center every business day for personal, face-to-face tax help. An employee can explain IRS letters, request adjustments to your tax account, or help you set up a payment plan. If you need to resolve a tax problem, have questions about how the tax law applies to your individual tax return, or you are more comfortable talking with someone in person, visit your local Taxpayer Assistance Center where you can spread out your records and talk with an IRS representative face-to-face. No appointment is necessary—just walk in. If you prefer, you can call your local Center and leave a message requesting an appointment to resolve a tax account issue. A representative will call you back within 2 business days to schedule an in-person appointment at your convenience. If you have an ongoing, complex tax account problem or a special need, such as a disability, an appointment can be requested. All other issues will be handled without an appointment. To find the number of your local office, go to *www.irs.gov/localcontacts* or look in the phone book under *United States Government, Internal Revenue Service*.

Mail. You can send your order for forms, instructions, and publications to the address below. You should receive a response within 10 days after your request is received.

Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61705-6613

DVD for tax products. You can order Publication 1796, IRS Tax Products DVD, and obtain:

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions.
- Tax Topics from the IRS telephone response system.
- Internal Revenue Code—Title 26 of the U.S. Code.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- Two releases during the year.
  – The first release will ship the beginning of January 2009.
  – The final release will ship the beginning of March 2009.

Purchase the DVD from National Technical Information Service (NTIS) at *www.irs.gov/cdorders* for $30 (no handling fee) or call 1-877-233-6767 toll free to buy the DVD for $30 (plus a $6 handling fee). The price is discounted to $25 for orders placed prior to December 1, 2008.

Small Business Resource Guide 2009. This online guide is a must for every small business owner or any taxpayer about to start a business. This year's guide includes:

- Helpful information, such as how to prepare a business plan, find financing for your business, and much more.
- All the business tax forms, instructions, and publications needed to successfully manage a business.
- Tax law changes for 2009.
- Tax Map: an electronic research tool and finding aid.
- Web links to various government agencies, business associations, and IRS organizations.
- "Rate the Product" survey—your opportunity to suggest changes for future editions.
- A site map of the guide to help you navigate the pages with ease.
- An interactive "Teens in Biz" module that gives practical tips for teens about starting their own business, creating a business plan, and filing taxes.

The information is updated during the year. Visit *www.irs.gov* and enter keyword "SBRG" in the upper right-hand corner for more information.

To help us develop a more useful index, please let us know if you have ideas for index entries. See “Comments and Suggestions” in the “Introduction” for the ways you can reach us.

■

Form **4684**

Department of the Treasury
Internal Revenue Service

Casualties and Thefts

► See separate instructions.
► Attach to your tax return.
► Use a separate Form 4684 for each casualty or theft.

OMB No. 1545-0177

2008

Attachment Sequence No. 26

Name(s) shown on tax return | Identifying number

SECTION A—Personal Use Property (Use this section to report casualties and thefts of property **not** used in a trade or business or for income-producing purposes.)

1 Description of properties (show type, location, and date acquired for each property). Use a separate line for each property lost or damaged from the same casualty or theft.

Property **A**

Property **B**

Property **C**

Property **D**

		Properties A	Properties B	Properties C	Properties D
2 Cost or other basis of each property	2				
3 Insurance or other reimbursement (whether or not you filed a claim) (see instructions)	3				
Note: *If line 2 is **more** than line 3, skip line 4.*					
4 Gain from casualty or theft. If line 3 is **more** than line 2, enter the difference here and skip lines 5 through 9 for that column. See instructions if line 3 includes insurance or other reimbursement you did not claim, or you received payment for your loss in a later tax year	4				
5 Fair market value **before** casualty or theft	5				
6 Fair market value **after** casualty or theft	6				
7 Subtract line 6 from line 5	7				
8 Enter the **smaller** of line 2 or line 7	8				
9 Subtract line 3 from line 8. If zero or less, enter -0-	9				

10 Casualty or theft loss. Add the amounts on line 9 in columns A through D	10	
11 Enter the **smaller** of line 10 or $100. But if the loss arose in a Midwestern disaster area because of a specified major disaster, enter -0-. See the instructions for a list of specified major disasters	11	
12 Subtract line 11 from line 10	12	
Caution: *Use only one Form 4684 for lines 13 through 24.*		
13 Add the amounts on line 12 of all Forms 4684	13	
14 Add the amounts on line 4 of all Forms 4684	14	
15 • If line 14 is **more** than line 13, enter the difference here and on Schedule D. **Do not** complete the rest of this section (see instructions). • If line 14 is **less** than line 13, enter -0- here and go to line 16. • If line 14 is **equal** to line 13, enter -0- here. **Do not** complete the rest of this section.	15	
16 If line 14 is **less** than line 13, enter the difference	16	
17 Add the amounts on line 12 of all Forms 4684 on which you entered a loss attributable to a federally declared disaster	17	
18a Is line 17 more than line 14? ☐ **Yes.** Enter the difference. If you are filing Schedule A (Form 1040), go to line 19. Otherwise, enter this amount on line 6 of the *Standard Deduction Worksheet–Line 40* in the Form 1040 instructions. Also, check the box on line 39c of Form 1040. If your standard deduction also includes the deduction for state or local real estate taxes, go to line 18b. Otherwise, do not complete the rest of Section A. Form 1040NR filers, see instructions. ☐ **No.** Enter -0-. If you claim the standard deduction, do not complete the rest of Section A	18a	
b If your standard deduction includes the deduction for state or local real estate taxes, check this box and do not complete the rest of Section A ► ☐		
19 Subtract line 18a from line 16	19	
20 Add the amounts on line 12 of all Forms 4684 on which you entered -0- on line 11	20	
21 Is line 20 less than line 19? ☐ **No.** Enter the amount from line 16 on Schedule A (Form 1040), line 20, or Form 1040NR, Schedule A, line 8. Estates and trusts enter the amount from line 16 on the "Other deductions" line of your tax return. Do not complete the rest of Section A. ☐ **Yes.** Subtract line 20 from line 19	21	
22 Enter 10% of your adjusted gross income from Form 1040, line 38, or Form 1040NR, line 36. Estates and trusts, see instructions	22	
23 Subtract line 22 from line 21. If zero or less, enter -0-	23	
24 Add lines 18a, 20, and 23. Also enter the result on Schedule A (Form 1040), line 20, or Form 1040NR, Schedule A, line 8. Estates and trusts, enter the result on the "Other deductions" line of your tax return	24	

For Paperwork Reduction Act Notice, see page 5 of the instructions. Cat. No. 12997O Form **4684** (2008)

Name(s) shown on tax return. Do not enter name and identifying number if shown on other side.	**Identifying number**

SECTION B—Business and Income-Producing Property

Part I Casualty or Theft Gain or Loss (Use a separate Part I for each casualty or theft.)

25 Description of properties (show type, location, and date acquired for each property). Use a separate line for each property lost or damaged from the same casualty or theft.

Property **A** __________

Property **B** __________

Property **C** __________

Property **D** __________

		Properties A	Properties B	Properties C	Properties D
26 Cost or adjusted basis of each property	**26**				
27 Insurance or other reimbursement (whether or not you filed a claim). See the instructions for line 3 **Note:** *If line 26 is* ***more*** *than line 27, skip line 28.*	**27**				
28 Gain from casualty or theft. If line 27 is **more** than line 26, enter the difference here and on line 35 or line 40, column (c), except as provided in the instructions for line 39. Also, skip lines 29 through 33 for that column. See the instructions for line 4 if line 27 includes insurance or other reimbursement you did not claim, or you received payment for your loss in a later tax year	**28**				
29 Fair market value **before** casualty or theft	**29**				
30 Fair market value **after** casualty or theft	**30**				
31 Subtract line 30 from line 29	**31**				
32 Enter the **smaller** of line 26 or line 31 **Note:** *If the property was totally destroyed by casualty or lost from theft, enter on line 32 the amount from line 26.*	**32**				
33 Subtract line 27 from line 32. If zero or less, enter -0-	**33**				

34 Casualty or theft loss. Add the amounts on line 33. Enter the total here and on line 35 **or** line 40 (see instructions) . . . **34** ______

Part II Summary of Gains and Losses (from separate Parts I)

(a) Identify casualty or theft		**(b)** Losses from casualties or thefts *(i)* Trade, business, rental or royalty property	**(b)** *(ii)* Income-producing and employee property	**(c)** Gains from casualties or thefts includible in income
Casualty or Theft of Property Held One Year or Less				
35		( )	( )	
		( )	( )	
36 Totals. Add the amounts on line 35	**36**	( )	( )	
37 Combine line 36, columns (b)(i) and (c). Enter the net gain or (loss) here and on Form 4797, line 14. If Form 4797 is not otherwise required, see instructions			**37**	
38 Enter the amount from line 36, column (b)(ii) here. Individuals, enter the amount from income-producing property on Schedule A (Form 1040), line 28, or Form 1040NR, Schedule A, line 16, and enter the amount from property used as an employee on Schedule A (Form 1040), line 23, or Form 1040NR, Schedule A, line 11. Estates and trusts, partnerships, and S corporations, see instructions			**38**	
Casualty or Theft of Property Held More Than One Year				
39 Casualty or theft gains from Form 4797, line 32			**39**	
40		( )	( )	
		( )	( )	
41 Total losses. Add amounts on line 40, columns (b)(i) and (b)(ii)	**41**	( )	( )	
42 Total gains. Add lines 39 and 40, column (c)			**42**	
43 Add amounts on line 41, columns (b)(i) and (b)(ii)			**43**	
44 If the loss on line 43 is **more** than the gain on line 42: **a** Combine line 41, column (b)(i) and line 42, and enter the net gain or (loss) here. Partnerships (except electing large partnerships) and S corporations, see the note below. All others, enter this amount on Form 4797, line 14. If Form 4797 is not otherwise required, see instructions			**44a**	
b Enter the amount from line 41, column (b)(ii) here. Individuals, enter the amount from income-producing property on Schedule A (Form 1040), line 28, or Form 1040NR, Schedule A, line 16, and enter the amount from property used as an employee on Schedule A (Form 1040), line 23, or Form 1040NR, Schedule A, line 11. Estates and trusts, enter on the "Other deductions" line of your tax return. Partnerships (except electing large partnerships) and S corporations, see the note below. Electing large partnerships, enter on Form 1065-B, Part II, line 11			**44b**	
45 If the loss on line 43 is **less** than or **equal** to the gain on line 42, combine lines 42 and 43 and enter here. Partnerships (except electing large partnerships), see the note below. All others, enter this amount on Form 4797, line 3			**45**	

Note: *Partnerships, enter the amount from line 44a, 44b, or line 45 on Form 1065, Schedule K, line 11.*
S corporations, enter the amount from line 44a or 44b on Form 1120S, Schedule K, line 10.

2008

Department of the Treasury
Internal Revenue Service

Instructions for Form 4684

Casualties and Thefts

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

What's New

Kansas and Midwestern disaster areas. Losses of personal use property that arose in the Kansas or Midwestern disaster areas (defined below) are not subject to the $100 or 10% of adjusted gross income limits. Qualifying losses include losses from casualties and thefts that arose in the disaster area and were attributable to the storms, tornadoes, or flooding.

The replacement period for postponing gain on property in these disaster areas that was damaged, destroyed, or stolen has been extended to 5 years, but only if substantially all of the use of the replacement property is in those disaster areas. For more information, see *Gain on Reimbursement,* that begins on this page, and *Gains Realized on Homes in Disaster Areas* that begins on page 2.

You may also be entitled to other tax benefits not covered in these instructions. For more information, see Pub. 4492-A, Information for Taxpayers Affected by the May 4, 2007, Kansas Storms and Tornadoes, or Pub. 4492-B, Information for Affected Taxpayers in the Midwestern Disaster Areas.

Kansas disaster area. The Kansas disaster area covers the Kansas counties of Barton, Clay, Cloud, Comanche, Dickinson, Edwards, Ellsworth, Kiowa, Leavenworth, Lyon, McPherson, Osage, Osborne, Ottawa, Phillips, Pottawatomie, Pratt, Reno, Rice, Riley, Saline, Shawnee, Smith, and Stafford, that were affected by the storms and tornadoes that began on May 4, 2007.

If you lived in the Kansas disaster area and deducted your loss in 2007 or elected to deduct the loss in 2006, do not use the 2008 Form 4684. Instead, see Pub. 4492-A for special instructions on how to complete your tax forms.

Midwestern disaster areas. A Midwestern disaster area is an area for which a major disaster was declared by the President during the period beginning on May 20, 2008, and ending on July 31, 2008, in the state of Arkansas, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, or Wisconsin as a result of severe storms, tornadoes, or flooding that occurred on the applicable disaster date. See *Table 1* on page 6 for a list of counties included in the Midwestern disaster areas.

The term "applicable disaster date" as used in these instructions, refers to the date on which the severe storms, tornadoes, or flooding occurred in the Midwestern disaster areas.

Federally declared disasters. New rules apply to losses of personal use property attributable to federally declared disasters declared in tax years beginning after 2007 and that occurred before 2010. A federally declared disaster is any disaster determined by the President of the United States to warrant assistance by the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. A disaster area is the area determined to warrant such assistance. The new rules discussed here do **not** apply to losses in the Midwestern disaster areas.

The new rules are as follows.

1. The net disaster loss (defined in (3) below) is not subject to the 10% of adjusted gross income limit.
2. You can deduct a net disaster loss even if you do not itemize your deductions on Schedule A (Form 1040). You do this by completing Form 4684 and entering your net disaster loss on line 6 of the *Standard Deduction Worksheet-Line 40* in the Form 1040 Instructions.
3. Your net disaster loss is the excess of—

   a. Your personal casualty losses attributable to a federally declared disaster and occurring in a disaster area, over

   b. Your personal casualty gains.

Special rules for individuals impacted by Hurricanes Katrina, Rita, and Wilma. If you claimed a casualty or theft loss deduction and in a later year you received more reimbursement than you expected, you do not recompute the tax for the year in which you claimed the deduction. Instead, you must include the reimbursement in your income for the year in which it was received, but only to the extent the original deduction reduced your tax for the earlier year. ***However,*** an exception applies if you claimed a casualty or theft loss deduction for damage to or destruction of your main home caused by Hurricane Katrina, Rita, or Wilma, and in a later year you received a hurricane relief grant. Under this exception, you can choose to file an amended income tax return (Form 1040X) for the tax year in which you claimed the deduction (and for any tax year to which such deduction was carried) and reduce (but not below zero) the amount of the deduction by the amount of the grant. If you make this choice, you must file Form 1040X by the later of:

- The due date for filing your tax return for the tax year in which you receive the grant (including extensions), or
- July 30, 2009.

For more information, see Pub. 547.

Purpose of Form

Use Form 4684 to report gains and losses from casualties and thefts. Attach Form 4684 to your tax return.

Losses You Can Deduct

You can deduct losses from fire, storm, shipwreck, or other casualty, or theft (for example, larceny, embezzlement, and robbery).

If your property is covered by insurance, you must file a timely insurance claim for reimbursement of your loss. Otherwise, you cannot deduct the loss as a casualty or theft loss. However, the part of the loss that is not covered by insurance is still deductible.

Related expenses. The related expenses you have due to a casualty or theft, such as expenses for the treatment of personal injuries or for the rental of a car, are not deductible as casualty or theft losses.

Costs for protection against future casualties are not deductible but should be capitalized as permanent improvements. An example would be the cost of a levee to stop flooding.

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.

Gain on Reimbursement

If the amount you receive in insurance or other reimbursement is more than the cost or other basis of the property, you have a gain. If you have a gain, you may have to pay tax on it, or you may be able to postpone the gain.

Do not report the gain on damaged, destroyed, or stolen property if you receive property that is similar or related to it in service or use. Your basis in the new property is the same as your basis in the old property.

Any tangible replacement property held for use in a trade or business is treated as similar or related in service or use to property held for use in a trade or business or for investment if:

- The property you are replacing was damaged or destroyed in a disaster, and
- The area in which the property was damaged or destroyed was declared by the President of the United States to warrant federal assistance because of that disaster.

Generally, you must recognize the gain if you receive unlike property or money as reimbursement. But you generally can choose to postpone all or part of the gain if, within 2 years of the end of the first tax year in which any part of the gain is realized, you purchase:

- Property similar or related in service or use to the damaged, destroyed, or stolen property, or
- A controlling interest (at least 80%) in a corporation owning such property.

The replacement period is 5 years, instead of 2 years, if the property was located in the:

- New York Liberty Zone (as defined in section 1400L(h) or Pub. 547) and that property was converted as a result of the terrorist attacks on September 11, 2001, in the New York Liberty Zone, but only if substantially all of the use of the replacement property is in the city of New York, New York.
- Hurricane Katrina disaster area (which includes the states of Alabama, Florida, Louisiana, and Mississippi) and that property was converted after August 24, 2005, as a result of Hurricane Katrina, but only if substantially all of the use of the replacement property is in that disaster area.
- Kansas disaster area (which includes the Kansas counties of Barton, Clay, Cloud, Comanche, Dickinson, Edwards, Ellsworth, Kiowa, Leavenworth, Lyon, McPherson, Osage, Osborne, Ottawa, Phillips, Pottawatomie, Pratt, Reno, Rice, Riley, Saline, Shawnee, Smith, and Stafford) and that property was converted after May 3, 2007, as a result of the storms or tornadoes, but only if substantially all of the use of the replacement property is in that disaster area.
- Midwestern disaster areas (which include certain counties in the states of Arkansas, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, and Wisconsin as shown in *Table 1* on page 6) and that property was converted on or after the applicable disaster date as a result of severe storms, tornadoes, or flooding, but only if substantially all of the use of the replacement property is in those disaster areas.

To postpone all of the gain, the cost of the replacement property must be equal to or more than the reimbursement you received for your property. If the cost of the replacement property is less than the reimbursement received, you must recognize the gain to the extent the reimbursement exceeds the cost of the replacement property.

If the replacement property or stock is acquired from a related person, gain generally cannot be postponed by:

- Corporations (other than S corporations),
- Partnerships more than 50% owned by one or more corporations (other than S corporations), or
- All other taxpayers, unless the aggregate realized gains on the involuntarily converted property are $100,000 or less for the tax year. This rule applies to partnerships and S corporations at both the entity and partner or shareholder level.

For details, see section 1033(i).

For details on how to postpone the gain, see Pub. 547, Casualties, Disasters, and Thefts.

If your main home was located in a federally declared disaster area, a Midwestern disaster area, or the Kansas disaster area, and that home or any of its contents were damaged or destroyed due to the disaster, special rules apply. See *Gains Realized on Homes in Disaster Areas* on this page.

When To Deduct a Loss

Deduct the part of your casualty or theft loss that is not reimbursable in the tax year the casualty occurred or the theft was discovered. However, a disaster loss and a loss from deposits in insolvent or bankrupt financial institutions may be treated differently. See *Disaster Losses* below and *Special Treatment for Losses on Deposits in Insolvent or Bankrupt Financial Institutions* on page 3.

If you are not sure whether part of your casualty or theft loss will be reimbursed, do not deduct that part until the tax year when you become reasonably certain that it will not be reimbursed.

If you are reimbursed for a loss you deducted in an earlier year, include the reimbursement in your income in the year you received it, but only to the extent the deduction reduced your tax in an earlier year.

See Pub. 547 for special rules on when to deduct losses from casualties and thefts to leased property. Also see *Special rules for individuals impacted by Hurricanes Katrina, Rita, and Wilma* on page 1.

Disaster Losses

A disaster loss is a loss that occurred in an area determined by the President of the United States to warrant federal disaster assistance. It includes a major disaster or emergency declaration. A list of areas warranting public or individual assistance (or both) is available at the Federal Emergency Management Agency (FEMA) website at *www.fema.gov*.

If you have a casualty loss from a disaster that occurred in an area warranting public or individual assistance (or both), you can elect to deduct the loss in the tax year immediately prior to the tax year in which the disaster occurred as long as the loss would otherwise be allowed as a deduction in the tax year it occurred.

This election must be made by filing your return or amended return for the prior year, and claiming your disaster loss on it, by the later of:

- The due date for filing your original return (without extensions) for the tax year in which the disaster actually occurred, or
- The due date for filing your original return (including extensions) for the tax year immediately prior to the tax year in which the disaster actually occurred.

You can revoke your election within 90 days after making it by returning to the IRS any refund or credit you received from the election. If you revoke your election before receiving a refund, you must repay the refund within 30 days after receiving it.

On the return on which you claim the disaster loss, specify the date(s) of the disaster and the city, town, county or parish, and state in which the damaged or destroyed property was located.

To determine the amount to deduct for a disaster loss, you must take into account as reimbursements any benefits you received or which you have a reasonable possibility of receiving from federal or state programs to restore your property.

If your home was located in a disaster area and your state or local government ordered you to tear it down or move it because it was no longer safe to use as a home because of the disaster, the loss in value because it is no longer safe is treated as a disaster loss. The order for you to tear down or move the home must have been issued within 120 days after the area was officially declared a disaster area.

For purposes of figuring the disaster loss, use the value of your home before you moved it or tore it down as its fair market value after the casualty.

Gains Realized on Homes in Disaster Areas

The following rules apply if your main home was located in an area declared by the President of the United States to warrant federal assistance as the result of a disaster, and the home or any of its contents were damaged or destroyed due to the disaster. These rules also apply to renters who receive insurance proceeds for damaged or destroyed property in a rented home that is their main home.

1. No gain is recognized on any insurance proceeds received for unscheduled personal property that was part of the contents of the home.
2. Any other insurance proceeds you receive for the home or its contents are treated as received for a single item of property, and any replacement property you purchase that is similar or related in service or use to the home or its contents is treated as similar or related in service or use to that single item of property. Therefore, you can choose to recognize gain only to the extent the insurance proceeds treated as received for that single item of property exceed the cost of the replacement property.
3. If you choose to postpone any gain from the receipt of insurance or other reimbursement for your main home or any of its contents, the period in which you must purchase replacement property is extended until 4 years after the end of the first tax year in which any part of the gain is realized. However, the 4-year period is extended to 5 years if your main home or any of its contents were located in the:

   a. New York Liberty Zone (as defined in section 1400L(h) or Pub. 547) and that property was converted as a result of the terrorist attacks on September 11, 2001, in the New York Liberty Zone, but only if substantially all of the use of the replacement property is in the city of New York, New York.

   b. Hurricane Katrina disaster area (which includes the states of Alabama, Florida, Louisiana, and Mississippi) and that property was converted after August 24, 2005, as a result of Hurricane Katrina, but only if substantially all of the use of the replacement property is in that disaster area.

c. Kansas disaster area (which includes the Kansas counties of Barton, Clay, Cloud, Comanche, Dickinson, Edwards, Ellsworth, Kiowa, Leavenworth, Lyon, McPherson, Osage, Osborne, Ottawa, Phillips, Pottawatomie, Pratt, Reno, Rice, Riley, Saline, Shawnee, Smith, and Stafford) and that property was converted after May 3, 2007, as a result of the storms or tornadoes, but only if substantially all of the use of the replacement property is in that disaster area.

d. Midwestern disaster areas (which include certain counties in the states of Arkansas, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, and Wisconsin as shown in *Table 1* on page 6) and that property was converted on or after the applicable disaster date as a result of severe storms, tornadoes, or flooding, but only if substantially all of the use of the replacement property is in those disaster areas.

For details on how to postpone gain, see Pub. 547.

Example. Your main home and its contents were completely destroyed in 2008 by a tornado in a federally declared disaster area. The property was not located in a Midwestern disaster area. In 2008, you received insurance proceeds of $200,000 for the home, $25,000 for unscheduled personal property in your home, $5,000 for jewelry, and $10,000 for a stamp collection. The jewelry and stamp collection were kept in your home and were scheduled property on your insurance policy. No gain is recognized on the $25,000 you received for the unscheduled personal property. If you reinvest the remaining proceeds of $215,000 in a replacement home, any type of replacement contents (whether scheduled or unscheduled), or both, you can elect to postpone any gain on your home, jewelry, or stamp collection. If you reinvest less than $215,000, any gain is recognized only to the extent $215,000 exceeds the amount you reinvest in a replacement home, any type of replacement contents (whether scheduled or unscheduled), or both. To postpone gain, you must purchase the replacement property before 2013.Your basis in the replacement property equals its cost decreased by the amount of any postponed gain.

Special Treatment for Losses on Deposits in Insolvent or Bankrupt Financial Institutions

If you are an individual who incurred a loss from a deposit in a bank, credit union, or other financial institution because of the bankruptcy or insolvency of that institution and you can reasonably estimate your loss, you can elect to deduct the loss as:

- A casualty loss to personal use property on Form 4684, or
- An ordinary loss (miscellaneous itemized deduction) on Schedule A (Form 1040), Itemized Deductions, line 23, or Schedule A (Form 1040NR), Itemized Deductions, line 11. You cannot elect the ordinary loss deduction if any part of the deposits related to the loss is federally insured. The maximum amount you can claim is $20,000 ($10,000 if you are married filing separately). Your deduction is reduced by any expected state insurance proceeds and is subject to the 2% adjusted gross income limit.

If you elect to deduct the estimated loss as a casualty loss or as an ordinary loss, you cannot claim the same loss as a nonbusiness bad debt. If the estimated loss deducted is less than the actual loss, you can claim the difference as a nonbusiness bad debt for the year in which the final determination of the loss occurs. A nonbusiness bad debt is deducted on Schedule D (Form 1040), Capital Gains and Losses, as a short-term capital loss.

If you are a 1% or more owner or an officer of the financial institution, or are related to any such owner or officer, you cannot deduct the loss as a casualty loss or as an ordinary loss. See Pub. 550, Investment Income and Expenses, for the definition of “related.”

If you elect to deduct the loss as a casualty loss or as an ordinary loss and you have more than one account in the same financial institution, you must include all your accounts. Once you make the election, you cannot change it without permission from the IRS. See Notice 89-28, 1989-1 C.B. 667, for more details.

To elect to deduct the loss as a casualty loss, complete Form 4684 as follows: On line 1, enter the name of the financial institution and “Insolvent Financial Institution.” Skip lines 2 through 9. Enter the amount of the loss on line 10, and complete the rest of Section A.

If, in a later year, you recover an amount you deducted as a loss, you may have to include in your income the amount recovered for that year. For details, see *Recoveries* in Pub. 525, Taxable and Nontaxable Income.

Specific Instructions

Which Sections To Complete

Use Section A to figure casualty or theft gains and losses for property that is not used in a trade or business or for income-producing purposes.

Nonbusiness casualty or theft losses are deductible only to the extent that the amount of the loss from each separate casualty or theft is more than $100 and the total amount of all losses (as so reduced) during the year is more than 10% of adjusted gross income (Form 1040, line 38, or Form 1040NR, line 36). However, these limits do not apply to losses that arose in the Midwestern disaster areas (defined on page 1 under *What's New*) and that were caused by the severe storms, tornadoes, or flooding. The 10% limit does not apply to net disaster losses resulting from federally declared disasters (defined on page 1 under *What's New*). (The $100 limit does apply.)

Use Section B to figure casualty or theft gains and losses for property that is used in a trade or business or for income-producing purposes.

If property is used partly in a trade or business and partly for personal purposes, such as a personal home with a rental unit, figure the personal part in Section A and the business part in Section B.

Section A—Personal Use Property

Use a separate column for lines 1 through 9 to show each item lost or damaged from a single casualty or theft. If more than four items were lost or damaged, use additional sheets following the format of lines 1 through 9.

Use a separate Form 4684 through line 12 for each casualty or theft involving property not used in a trade or business or for income-producing purposes.

Do not include any loss previously deducted on an estate tax return.

If you are liable for casualty or theft losses to property you lease from someone else, see Pub. 547.

Line 2

Cost or other basis usually means original cost plus improvements. Subtract any postponed gain from the sale of a previous main home. Special rules apply to property received as a gift or inheritance. See Pub. 551, Basis of Assets, for details.

Line 3

Enter on this line the amount of insurance or other reimbursement you received or expect to receive for each property. Include your insurance coverage whether or not you are filing a claim for reimbursement. For example, your car worth $2,000 is totally destroyed in a collision. You are insured with a $500 deductible, but decide not to report it to your insurance company because you are afraid the insurance company will cancel your policy. In this case, enter $1,500 on this line.

If you expect to be reimbursed but have not yet received payment, you must still enter the expected reimbursement from the loss. If, in a later tax year, you determine with reasonable certainty that you will not be reimbursed for all or part of the loss, you can deduct for that year the amount of the loss that is not reimbursed.

Types of reimbursements. Insurance is the most common way to be reimbursed for a casualty or theft loss, but if:

- Part of a federal disaster loan is forgiven, the part you do not have to pay back is considered a reimbursement.
- The person who leases your property must make repairs or must repay you for any part of a loss, the repayment and the cost of the repairs are considered reimbursements.
- A court awards you damages for a casualty or theft loss, the amount you are able to collect, minus lawyers' fees and other necessary expenses, is a reimbursement.
- You accept repairs, restoration, or cleanup services provided by relief agencies, it is considered a reimbursement.
- A bonding company pays you for a theft loss, the payment is also considered a reimbursement.

Lump-sum reimbursement. If you have a casualty or theft loss of several assets at the same time and you receive a lump-sum reimbursement, you must divide the amount you receive among the assets according to the fair market value of each asset at the time of the loss.

Grants, gifts, and other payments. Grants and other payments you receive to help you after a casualty are considered reimbursements only if they must be used specifically to repair or replace your property. Such payments will reduce your casualty loss deduction. If there are no conditions on how you have to use the money you receive, it is not a reimbursement.

Use and occupancy insurance. If insurance reimburses you for your loss of business income, it does not reduce your casualty or theft loss. The reimbursement is income, and is taxed in the same manner as your business income.

Main home destroyed. If you have a gain because your main home was destroyed, you generally can exclude the gain from your income as if you had sold or exchanged your home. You may be able to exclude up to $250,000 of the gain (up to $500,000 if married filing jointly). To exclude a gain, you generally must have owned and lived in the property as your main home for at least 2 years during the 5-year period ending on the date it was destroyed. For information on this exclusion, see Pub. 523.

If you exclude the gain and the entire gain is excludable, do not report the casualty on Form 4684. If the gain is more than you can exclude, reduce the insurance or other reimbursement by the amount of the exclusion and enter the result on line 3. Attach a statement showing the full amount of insurance or other reimbursement and the amount of the exclusion. You may be able to postpone reporting the excess gain if you buy replacement property. See *Gain on Reimbursement,* that begins on page 1, and *Gains Realized on Homes in Disaster Areas,* that begins on page 2.

Line 4

If you are entitled to an insurance payment or other reimbursement for any part of a casualty or theft loss but you choose not to file a claim for the loss, you cannot realize a gain from that payment or reimbursement. Therefore, figure the gain on line 4 by subtracting your cost or other basis in the property (line 2) only from the amount of reimbursement you actually received. Enter the result on line 4, but do not enter less than zero.

If you filed a claim for reimbursement but did not receive it until after the year of the casualty or theft, include the gain in your income in the year you received the reimbursement.

Lines 5 and 6

Fair market value (FMV) is the price at which the property would be sold between a willing buyer and a willing seller, each having knowledge of the relevant facts. The difference between the FMV immediately before the casualty or theft and the FMV immediately after represents the decrease in FMV because of the casualty or theft.

The FMV of property after a theft is zero if the property is not recovered.

FMV is generally determined by a competent appraisal. The appraiser's knowledge of sales of comparable property about the same time as the casualty or theft, knowledge of your property before and after the occurrence, and the methods of determining FMV are important elements in proving your loss.

The appraised value of property immediately after the casualty must be adjusted (increased) for the effects of any general market decline that may occur at the same time as the casualty or theft. For example, the value of all nearby property may become depressed because it is in an area where such occurrences are commonplace. This general decline in market value is not part of the property's decrease in FMV as a result of the casualty or theft.

Replacement cost or the cost of repairs is not necessarily FMV. However, you may be able to use the cost of repairs to the damaged property as evidence of loss in value if:

- The repairs are necessary to restore the property to the condition it was in immediately before the casualty,
- The amount spent for repairs is not excessive,
- The repairs only correct the damage caused by the casualty, and
- The value of the property after the repairs is not, as a result of the repairs, more than the value of the property immediately before the casualty.

To figure a casualty loss to real estate not used in a trade, business, or for income-producing purposes, measure the decrease in value of the property as a whole. All improvements, such as buildings, trees, and shrubs, are considered together as one item. Figure the loss separately for other items. For example, figure the loss separately for each piece of furniture.

Line 11

The Midwestern disaster areas are defined on page 1 under *What's New*. For a list of the counties in these areas and the applicable disaster dates, see *Table 1* on page 6.

Line 15

If line 14 is more than line 13:

- Combine your short-term gains with your short-term losses and include the net short-term gain or (loss) on Schedule D (Form 1040), line 4. Estates and trusts include this amount on Schedule D (Form 1041), line 2.
- Combine your long-term gains with your long-term losses and include the net long-term gain or (loss) on Schedule D (Form 1040), line 11. Estates and trusts include this amount on Schedule D (Form 1041), line 7.

The holding period for long-term gains and losses is more than 1 year. For short-term gains and losses, it is 1 year or less. To figure the holding period, begin counting on the day after you received the property and include the day the casualty or theft occurred.

Line 17

Do not include on line 17 any losses that arose in a Midwestern disaster area (as defined on page 1). A loss arising in a Midwestern disaster area is not considered a loss attributable to a federally declared disaster for purposes of this line and cannot be added to your standard deduction.

Line 18a

If you are filing Form 1040NR, Schedule A, go to Form 4684, line 19.

If you are a nonresident alien student or business apprentice from India and are claiming the standard deduction, do the following.

- Enter this amount on Worksheet 5-1 in Pub. 519.
- If your standard deduction also includes the deduction for state or local real estate taxes, go to line 18b. Otherwise, do not complete the rest of Section A.

Line 22

Estates and trusts figure adjusted gross income in the same way as individuals, except that the costs of administration are allowed in figuring adjusted gross income.

Section B—Business and Income-Producing Property

Use a separate column of Part I, lines 25 through 33, to show each item lost or damaged from a single casualty or theft. If more than four items were lost or damaged, use additional sheets following the format of Part I, lines 25 through 33.

Use a separate Form 4684, Section B, Part I, for each casualty or theft involving property used in a trade or business or for income-producing purposes. Use one Section B, Part II, to combine all Sections B, Part I.

For details on the treatment of casualties or thefts to business or income-producing property, including rules on the loss of inventory through casualty or theft, see Pub. 547.

If you had a casualty or theft loss involving a home you used for business or rented out, your deductible loss may be limited. First, complete Form 4684, Section B, lines 25 through 32. If the loss involved a home used for a business for which you are filing Schedule C (Form 1040), Profit or Loss From Business, figure your deductible casualty or theft loss on Form 8829, Expenses for Business Use of Your Home. Enter on Form 4684, line 33, the deductible loss from Form 8829, line 34, and "See Form 8829" above line 33. For a home you rented out or used for a business for which you are not filing Schedule C (Form 1040), see section 280A(c)(5) to figure your deductible loss. Attach a statement showing your computation of the deductible loss, enter that amount on line 33 and "See attached statement" above line 33.

Note. A gain or loss from a casualty or theft of property used in a passive activity is not taken into account in determining the loss from a passive activity unless losses similar in cause and severity recur regularly in the activity. See Form 8582, Passive Activity Loss Limitations, and its instructions for details.

Section 179 Property of a Partnership or S corporation

Partnerships (other than electing large partnerships) and S corporations that have a casualty or theft involving property for which the section 179 expense deduction was previously claimed and passed through to the partners or shareholders must not use Form 4684 to report the transaction. Instead, see the Instructions for Form 4797 for details on how to report it. Partners and S corporation shareholders who receive a Schedule K-1 reporting such a transaction should see the Instructions for Form 4797 for details on how to figure the amount to enter on Form 4684, line 26.

Line 26

Cost or adjusted basis usually means original cost plus improvements, minus depreciation allowed or allowable (including any section 179 expense deduction), amortization, depletion, etc. Special rules apply to property received as a gift or inheritance. See Pub. 551 for details.

Line 27

See the instructions for line 3 that begin on page 3.

Line 28

See the instructions for line 4 on page 4.

Lines 29 and 30

See the instructions for lines 5 and 6 on page 4 for details on determining FMV.

Loss on each item figured separately. Unlike a casualty loss to personal use real estate, in which all improvements are considered one item, a casualty loss to business or income-producing property must be figured separately for each item. For example, if casualty damage occurs to both a building and to trees on the same piece of real estate, measure the loss separately for the building and for the trees.

Line 34

If the amount on line 34 includes losses on property held 1 year or less, and losses on property held for more than 1 year, you must allocate the amount between lines 35 and 40 according to how long you held each property. Enter on line 35 all gains and losses on property held 1 year or less. Enter on line 40 all gains and losses on property held more than 1 year, except as provided in the instructions for line 39.

Part II, Column (a)

Use a separate line for each casualty or theft.

Part II, Column (b)(i)

Enter the part of line 34 from trade, business, rental, or royalty property (other than property you used in performing services as an employee).

Part II, Column (b)(ii)

Enter the part of line 34 from income-producing property and from property you used in performing services as an employee. Income-producing property is property held for investment, such as stocks, notes, bonds, gold, silver, vacant lots, and works of art.

Line 37

If Form 4797, Sales of Business Property, is not otherwise required, enter the amount from this line on page 1 of your tax return, on the line identified as from Form 4797. Next to that line, enter “Form 4684.”

Line 38

Estates and trusts, enter on the “Other deductions” line of your tax return. Partnerships (except electing large partnerships), enter on Form 1065, Schedule K, line 13d. Electing large partnerships, enter on Form 1065-B, Part II, line 11. S corporations, enter on Form 1120S, Schedule K, line 12d. Next to that line, enter “Form 4684.”

Line 39

If you had a casualty or theft gain from certain trade, business, or income-producing property held more than 1 year, you may have to recapture part or all of the gain as ordinary income. See the instructions for Form 4797, Part III, for more information on the types of property subject to recapture. If recapture applies, complete Form 4797, Part III, and this line, instead of Form 4684, line 40.

Line 44a

Taxpayers, other than partnerships and S corporations, if Form 4797 is not otherwise required, enter the amount from this line on page 1 of your tax return, on the line identified as from Form 4797. Next to that line, enter “Form 4684.”

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

Recordkeeping	1 hr., 58 min.
Learning about the law or the form	27 min.
Preparing the form	1 hr., 7 min.
Copying, assembling, and sending the form to the IRS	34 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

Table 1. **Midwestern Disaster Areas**

The counties listed below are in Midwestern disaster areas. Disaster losses occurring in these counties on the applicable disaster dates qualify for the waiver of the $100 and 10% of adjusted gross income limits and for the 5-year replacement period.

Applicable Disaster Date*	State	Affected Counties—Midwestern Disaster Areas
05/02/2008	Arkansas	Arkansas, Benton, Cleburne, Conway, Crittenden, Grant, Lonoke, Mississippi, Phillips, Pulaski, Saline, and Van Buren.
06/01/2008	Illinois	Adams, Calhoun, Clark, Coles, Crawford, Cumberland, Douglas, Edgar, Greene, Hancock, Henderson, Jasper, Jersey, Lake, Lawrence, Madison, Mercer, Monroe, Pike, Randolph, Rock Island, St. Clair, Scott, Whiteside, and Winnebago
06/06/2008	Indiana	Adams, Bartholomew, Benton, Boone, Brown, Clay, Daviess, Dearborn, Decatur, Fountain, Franklin, Gibson, Grant, Greene, Hamilton, Hancock, Hendricks, Henry, Huntington, Jackson, Jay, Jefferson, Jennings, Johnson, Knox, Lawrence, Madison, Marion, Montgomery, Monroe, Morgan, Ohio, Owen, Parke, Pike, Posey, Putnam, Randolph, Ripley, Rush, Shelby, Sullivan, Switzerland, Tippecanoe, Union, Vermillion, Vigo, Wabash, Washington, and Wayne.
05/25/2008	Iowa	Adair, Adams, Allamakee, Appanoose, Audubon, Benton, Black Hawk, Boone, Bremer, Buchanan, Butler, Carroll, Cass, Cedar, Cerro Gordo, Cherokee, Chickasaw, Clarke, Clayton, Clinton, Crawford, Dallas, Davis, Decatur, Delaware, Des Moines, Dubuque, Fayette, Floyd, Franklin, Fremont, Greene, Grundy, Guthrie, Hamilton, Hancock, Hardin, Harrison, Henry, Howard, Humboldt, Iowa, Jackson, Jasper, Johnson, Jones, Keokuk, Kossuth, Lee, Linn, Louisa, Lucas, Lyon, Madison, Mahaska, Marion, Marshall, Mills, Mitchell, Monona, Monroe, Montgomery, Muscatine, Page, Palo Alto, Pocahontas, Polk, Pottawattamie, Poweshiek, Ringgold, Scott, Story, Tama, Taylor, Union, Van Buren, Wapello, Warren, Washington, Wayne, Webster, Winnebago, Winneshiek, Worth, and Wright.
05/22/2008	Kansas	Barber, Barton, Bourbon, Brown, Butler, Chautauqua, Cherokee, Clark, Clay, Comanche, Cowley, Crawford, Decatur, Dickinson, Edwards, Elk, Ellis, Ellsworth, Franklin, Gove, Graham, Harper, Haskell, Hodgeman, Jackson, Jewell, Kingman, Kiowa, Lane, Linn, Logan, Mitchell, Montgomery, Ness, Norton, Osborne, Pawnee, Phillips, Pratt, Reno, Republic, Riley, Rooks, Rush, Saline, Seward, Sheridan, Smith, Stafford, Sumner, Thomas, Trego, Wallace, and Wilson.
06/06/2008	Michigan	Allegan, Barry, Eaton, Ingham, Lake, Manistee, Mason, Missaukee, Osceola, Ottawa, Saginaw, and Wexford.
06/07/2008	Minnesota	Cook, Fillmore, Freeborn, Houston, Mower, and Nobles.
05/10/2008	Missouri	Barry, Jasper, and Newton.
06/01/2008	Missouri	Adair, Andrew, Atchison, Audrain, Bates, Buchanan, Callaway, Cape Girardeau, Carroll, Cass, Chariton, Christian, Clark, Daviess, Gentry, Greene, Grundy, Harrison, Holt, Howard, Jefferson, Johnson, Knox, Lewis, Lincoln, Linn, Livingston, Macon, Marion, Mercer, Miller, Mississippi, Monroe, Morgan, New Madrid, Nodaway, Pemiscot, Perry, Pettis, Pike, Platte, Polk, Putnam, Ralls, Randolph, Ray, Saline, Schuyler, Scotland, Shelby, St. Charles, St. Genevieve, St. Louis, the Independent City of St. Louis, Scott, Stone, Sullivan, Taney, Vernon, Webster, and Worth.
04/23/2008	Nebraska	Gage, Johnson, Morrill, Nemaha, and Pawnee.
05/22/2008	Nebraska	Adams, Blaine, Boone, Boyd, Brown, Buffalo, Burt, Butler, Cass, Chase, Cherry, Colfax, Cuming, Custer, Dawson, Douglas, Dundy, Fillmore, Frontier, Furnas, Gage, Garfield, Gosper, Greeley, Hall, Hamilton, Hayes, Holt, Howard, Jefferson, Johnson, Kearney, Keya Paha, Lancaster, Lincoln, Logan, Loup, Merrick, McPherson, Morrill, Nance, Nemaha, Otoe, Phelps, Platte, Polk, Red Willow, Richardson, Rock, Saline, Sarpy, Saunders, Seward, Sherman, Stanton, Thayer, Thomas, Thurston, Valley, Webster, Wheeler, and York.
06/27/2008	Nebraska	Dodge, Douglas, Sarpy, and Saunders.
06/05/2008	Wisconsin	Adams, Calumet, Crawford, Columbia, Dane, Dodge, Fond du Lac, Grant, Green, Green Lake, Iowa, Jefferson, Juneau, Kenosha, La Crosse, Lafayette, Manitowoc, Marquette, Milwaukee, Monroe, Ozaukee, Racine, Richland, Rock, Sauk, Sheboygan, Vernon, Walworth, Washington, Waukesha, and Winnebago.

*In some cases, the date will be later due to the continuation of the severe storms, tornadoes, or flooding that began on the date shown above. For more details, go to www.fema.gov.

Department
of the
Treasury

**Internal
Revenue
Service**

Publication 551
(Rev. May 2002)
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Basis of Assets

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Contents

Important Reminder

Assets held on January 1, 2001. If you made the election to treat an asset as sold and then reacquired on January 1, 2001 (January 2, 2001, for readily tradable stock), and you hold the asset for more than 5 years from that date, any future gain on the asset is eligible for an 18% (instead of 20%) capital gains tax rate. If you made the election, your basis in the reacquired asset is its closing market price (for readily tradable stock) or fair market value (for any other capital asset or property used in a trade or business) on the date you reacquired it.

Introduction

Basis is the amount of your investment in property for tax purposes. Use the basis of property to figure depreciation, amortization, depletion, and casualty losses. Also use it to figure gain or loss on the sale or other disposition of property. You must keep accurate records of all items that affect the basis of property so you can make these computations.

This publication is divided into the following sections.

- Cost Basis
- Adjusted Basis
- Basis Other Than Cost

The basis of property you buy is usually its cost. You may also have to capitalize (add to basis) certain other costs related to buying or producing the property.

Your original basis in property is adjusted (increased or decreased) by certain events. If you make improvements to the property, increase your basis. If you take deductions for depreciation or casualty losses, reduce your basis.

You cannot determine your basis in some assets by cost. This includes property you receive as a gift or inheritance. It also applies to property received in an involuntary conversion and certain other circumstances.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can e-mail us while visiting our web site at **www.irs.gov**.

You can write to us at the following address:

Internal Revenue Service
Technical Publications Branch
W:CAR:MP:FP:P
1111 Constitution Ave. NW
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

Useful Items

You may want to see:

Publication

- ❑ **463** Travel, Entertainment, Gift, and Car Expenses
- ❑ **523** Selling Your Home
- ❑ **525** Taxable and Nontaxable Income
- ❑ **527** Residential Rental Property
- ❑ **530** Tax Information for First-Time Homeowners
- ❑ **535** Business Expenses
- ❑ **537** Installment Sales
- ❑ **544** Sales and Other Dispositions of Assets
- ❑ **550** Investment Income and Expenses
- ❑ **559** Survivors, Executors, and Administrators
- ❑ **564** Mutual Fund Distributions
- ❑ **587** Business Use of Your Home
- ❑ **946** How To Depreciate Property

Form (and Instructions)

- ❑ **706-A** United States Additional Estate Tax Return
- ❑ **8594** Asset Acquisition Statement

See *How To Get Tax Help* near the end of this publication for information about getting publications and forms.

Cost Basis

Terms you may need to know (see Glossary):

Business assets

Real property

Unstated interest

The basis of property you buy is usually its cost. The cost is the amount you pay in cash, debt obligations, other property, or services. Your cost also includes amounts you pay for the following items.

- Sales tax.
- Freight.
- Installation and testing.
- Excise taxes.
- Legal and accounting fees (when they must be capitalized).
- Revenue stamps.
- Recording fees.
- Real estate taxes (if assumed for the seller).

You may also have to capitalize certain other costs related to buying or producing property.

Loans with low or no interest. If you buy property on a time-payment plan that charges little or no interest, the basis of your property is your stated purchase price, minus the amount considered to be unstated interest. You generally have unstated interest if your interest rate is less than the applicable federal rate. See the discussion of unstated interest in Publication 537.

Purchase of a business. When you purchase a trade or business, you generally purchase all assets used in the business operations, such as land, buildings, and machinery. Allocate the price among the various assets including any section 197 intangibles. See *Allocating the Basis,* later.

Stocks and Bonds

The basis of stocks or bonds you buy is generally the purchase price plus any costs of purchase, such as commissions and recording or transfer fees. If you get stocks or bonds other than by purchase, your basis is usually determined by the fair market value (FMV) or the previous owner's adjusted the basis of stock.

You must adjust the basis of stocks for certain events that occur after purchase. See *Stocks and Bonds* in chapter 4 of Publication 550 for more information on the basis of stock.

Identifying stock or bonds sold. If you can adequately identify the shares of stock or the bonds you sold, their basis is the cost or other basis of the particular shares of stock or bonds. If you buy and sell securities at various times in varying quantities and you cannot adequately identify the shares you sell, the basis of the securities you sell is the basis of the securities you acquired first. For more information about identifying securities you sell, see *Stocks and Bonds* under *Basis of Investment Property* in chapter 4 of Publication 550.

Mutual fund shares. If you sell mutual fund shares acquired at different times and prices, you can choose to use an average basis. For more information, see *Average Basis* in Publication 564.

Real Property

If you buy real property, certain fees and other expenses become part of your cost basis in the property.

Real estate taxes. If you pay real estate taxes the seller owed on real property you bought, and the seller did not reimburse you, treat those taxes as part of your basis. You cannot deduct them as taxes.

If you reimburse the seller for taxes the seller paid for you, you can usually deduct that amount as an expense in the year of purchase. Do not include that amount in the basis of the property. If you did not reimburse the seller, you must reduce your basis by the amount of those taxes.

Settlement costs. You can include in the basis of property you buy the settlement fees and closing costs for buying the property. You cannot include fees and costs for getting a loan on the property. (A fee for buying property is a cost that must be paid even if you bought the property for cash.)

The following items are some of the settlement fees or closing costs you can include in the basis of your property.

- Abstract fees (abstract of title fees).
- Charges for installing utility services.
- Legal fees (including title search and preparation of the sales contract and deed).
- Recording fees.
- Surveys.
- Transfer taxes.
- Owner's title insurance.
- Any amounts the seller owes that you agree to pay, such as back taxes or interest, recording or mortgage fees, charges for improvements or repairs, and sales commissions.

Settlement costs ***do not include*** amounts placed in escrow for the future payment of items such as taxes and insurance.

The following items are some settlement fees and closing costs you ***cannot*** include in the basis of the property.

1) Fire insurance premiums.
2) Rent for occupancy of the property before closing.
3) Charges for utilities or other services related to occupancy of the property before closing.
4) Charges connected with getting a loan. The following are examples of these charges.

a) Points (discount points, loan origination fees).

b) Mortgage insurance premiums.

c) Loan assumption fees.

d) Cost of a credit report.

e) Fees for an appraisal required by a lender.

5) Fees for refinancing a mortgage.

If these costs relate to business property, items (1) through (3) are deductible as business expenses. Items (4) and (5) must be capitalized as costs of getting a loan and can be deducted over the period of the loan.

Points. If you pay points to obtain a loan (including a mortgage, second mortgage, line of credit, or a home equity loan), do not add the points to the basis of the related property. Generally, you deduct the points over the term of the loan. For more information on how to deduct points, see *Points* in chapter 5 of Publication 535.

Points on home mortgage. Special rules may apply to points you and the seller pay when you obtain a mortgage to purchase your main home. If certain requirements are met, you can deduct the points in full for the year in which they are paid. Reduce the basis of your home by any seller-paid points. For more information, see *Points* in Publication 936, *Home Mortgage Interest Deduction.*

Assumption of mortgage. If you buy property and assume (or buy subject to) an existing mortgage on the property, your basis includes the amount you pay for the property plus the amount to be paid on the mortgage.

Example. If you buy a building for $20,000 cash and assume a mortgage of $80,000 on it, your basis is $100,000.

Constructing assets. If you build property or have assets built for you, your expenses for this construction are part of your basis. Some of these expenses include the following items.

- Cost of the land.
- Cost of labor and materials.
- Architect's fees.
- Building permit charges.
- Payments to contractors.
- Payments for rental equipment.
- Inspection fees.

In addition, if you own a business and use your employees, material, and equipment to build an asset, your basis would also include the following costs.

1) Employee wages paid for the construction work.

2) Depreciation on equipment you own while it is used in the construction.

3) Operating and maintenance costs for equipment used in the construction.

4) The cost of business supplies and materials used in the construction.

Do not deduct these expenses. You must capitalize them (include them in the asset's basis). Also, reduce your basis by any work opportunity credit, welfare-to-work credit, Indian employment credit, or empowerment zone employment credit allowable on the wages you pay in (1), above. For information about these credits, see Publication 954, *Tax Incentives for Empowerment Zones and Other Distressed Communities.*

CAUTION *Do not include the value of your own labor, or any other labor you did not pay for, in the basis of any property you construct.*

Business Assets

Terms you may need to know (see Glossary):

Amortization

Capitalization

Depletion

Depreciation

Fair market value

Going concern value

Goodwill

Intangible property

Personal property

Recapture

Section 179 deduction

Section 197 intangibles

Tangible property

If you purchase property to use in your business, your basis is usually its actual cost to you. If you construct, create, or otherwise produce property, you must capitalize the costs as your basis. In certain circumstances, you may be subject to the uniform capitalization rules, next.

Uniform Capitalization Rules

The uniform capitalization rules specify the costs you add to basis in certain circumstances.

Activities subject to the rules. You must use the uniform capitalization rules if you do any of the following in your trade or business or activity carried on for profit.

- Produce real or tangible personal property for use in the business or activity.
- Produce real or tangible personal property for sale to customers.
- Acquire property for resale.

You produce property if you construct, build, install, manufacture, develop, improve, create, raise, or grow the property. Treat property produced for you under a contract as produced by you up to the amount you pay or costs you otherwise incur for the property. Tangible personal property includes films, sound recordings, video tapes, books, or similar property.

Under the uniform capitalization rules, you must capitalize all direct costs and an allocable part of most indirect costs you incur due to your production or resale activities. The term ***capitalize*** means to include certain expenses in the basis of property you produce or in your inventory costs rather than deduct them as a current expense. You recover these costs through deductions for depreciation, amortization, or cost of goods sold when you use, sell, or otherwise dispose of the property.

Any cost you cannot use to figure your taxable income for any tax year is not subject to the uniform capitalization rules.

Example. If you incur a business meal expense for which your deduction would be limited to 50% of the cost of the meal, that amount is subject to the uniform capitalization rules. The nondeductible part of the cost is not subject to the uniform capitalization rules.

More information. For more information about these rules, see the regulations under section 263A of the Internal Revenue Code and Publication 538, *Accounting Periods and Methods.*

Exceptions. The following are not subject to the uniform capitalization rules.

1) Property you produce that you do not use in your trade, business, or activity conducted for profit.

2) Qualified creative expenses you pay or incur as a free-lance (self-employed) writer, photographer, or artist that are otherwise deductible on your tax return.

3) Property you produce under a long-term contract, except for certain home construction contracts.

4) Research and experimental expenses allowable as a deduction under section 174 of the Internal Revenue Code.

5) Costs for personal property acquired for resale if your (or your predecessor's) average annual gross receipts for the 3 previous tax years do not exceed $10 million.

For other exceptions to the uniform capitalization rules, see section 1.263A-1(b) of the regulations.

For information on the special rules that apply to costs incurred in the business of farming, see chapter 7 of Publication 225, *Farmer's Tax Guide.*

Intangible Assets

Intangible assets include goodwill, patents, copyrights, trademarks, trade names, and franchises. The basis of an intangible asset is usually the cost to buy or create it. If you acquire multiple assets, for example a going business for a lump sum, see *Allocating the Basis,* later, to figure the basis of the individual assets. The basis of certain intangibles can be amortized. See chapter 9 of Publication 535 for information on the amortization of these costs.

Patents. The basis of a patent you get for an invention is the cost of development, such as research and experimental expenditures, drawings, working models, and attorneys' and governmental fees. If you deduct the research and experimental expenditures as current business expenses, you cannot include them in the basis of the patent. The value of the inventor's time spent on an invention is not part of the basis.

Copyrights. If you are an author, the basis of a copyright will usually be the cost of getting the copyright plus copyright fees, attorneys' fees, clerical assistance, and the cost of plates that remain in your possession. Do not include the value of your time as the author, or any other person's time you did not pay for.

Franchises, trademarks, and trade names. If you buy a franchise, trademark, or trade name, the basis is its cost, unless you can deduct your payments as a business expense.

Allocating the Basis

If you buy multiple assets for a lump sum, allocate the amount you pay among the assets you receive. You must make this allocation to figure your basis for depreciation and gain or loss on a later disposition of any of these assets. See *Trade or Business Acquired,* later.

Group of Assets Acquired

If you buy multiple assets for a lump sum, you and the seller may agree to a specific allocation of the purchase price among the assets in the sales contract. If this allocation is based on the value of each asset and you and the seller have adverse tax interests, the allocation generally will be accepted. However, see *Trade or Business Acquired,* next.

Trade or Business Acquired

If you acquire a trade or business, allocate the consideration paid to the various assets acquired. Generally, reduce the consideration paid by any cash and general deposit accounts (including checking and savings accounts) received. Allocate the remaining consideration to the other business assets received in proportion to (but not more than) their fair market value in the following order.

1) Certificates of deposit, U.S. Government securities, foreign currency, and actively traded personal property, including stock and securities.
2) Accounts receivable, other debt instruments, and assets you mark to market at least annually for federal income tax purposes.
3) Property of a kind that would properly be included in inventory if on hand at the end of the tax year or property held primarily for sale to customers in the ordinary course of business.
4) All other assets except section 197 intangibles, goodwill, and going concern value.
5) Section 197 intangibles except goodwill and going concern value.
6) Goodwill and going concern value (whether or not they qualify as section 197 intangibles).

Agreement. The buyer and seller may enter into a written agreement as to the allocation of any consideration or the fair market value (FMV) of any of the assets. This agreement is binding on both parties unless the IRS determines the amounts are not appropriate.

Reporting requirement. Both the buyer and seller involved in the sale of business assets must report to the IRS the allocation of the sales price among section 197 intangibles and the other business assets. Use ***Form 8594*** to provide this information. The buyer and seller should each attach Form 8594 to their federal income tax return for the year in which the sale occurred.

More information. See *Sale of a Business* in chapter 2 of Publication 544 for more information.

Land and Buildings

If you buy buildings and the land on which they stand for a lump sum, allocate the basis of the property among the land and the buildings so you can figure the depreciation allowable on the buildings.

Figure the basis of each asset by multiplying the lump sum by a fraction. The numerator is the FMV of that asset and the denominator is the FMV of the whole property at the time of purchase. If you are not certain of the FMV of the land and buildings, you can allocate the basis based on their assessed values for real estate tax purposes.

Demolition of building. Add demolition costs and other losses incurred for the demolition of any building to the basis of the land on which the demolished building was located. Do not claim the costs as a current deduction.

Modification of building. A modification of a building will not be treated as a demolition if the following conditions are satisfied.

- 75 percent or more of the existing external walls of the building are retained in place as internal or external walls.
- 75 percent or more of the existing internal structural framework of the building is retained in place.

If the building is a certified historic structure, the modification must also be part of a certified rehabilitation.

If these conditions are met, add the costs of the modifications to the basis of the building.

Subdivided lots. If you buy a tract of land and subdivide it, you must determine the basis of each lot. This is necessary because you must figure the gain or loss on the sale of each individual lot. As a result, you do not recover your entire cost in the tract until you have sold all of the lots.

To determine the basis of an individual lot, multiply the total cost of the tract by a fraction. The numerator is the FMV of the lot and the denominator is the FMV of the entire tract.

Future improvement costs. If you are a developer and sell subdivided lots before the development work is completed, you can (with IRS consent) include in the basis of the properties sold an allocation of the estimated future cost for common improvements. See Revenue Procedure 92–29 for more information, including an explanation of the procedures for getting consent from the IRS.

Use of erroneous cost basis. If you made a mistake in figuring the cost basis of subdivided lots sold in previous years, you cannot correct the mistake for years for which the statute of limitations (generally 3 tax years) has expired. Figure the basis of any remaining lots by allocating the correct original cost basis of the entire tract among the original lots.

Example. You bought a tract of land to which you assigned a cost of $15,000. You subdivided the land into 15 building lots of equal size and equitably divided your basis so that each lot had a basis of $1,000. You treated the sale of each lot as a separate transaction and figured gain or loss separately on each sale.

Several years later you determine that your original basis in the tract was $22,500 and not $15,000. You sold eight lots using $8,000 of basis in years for which the statute of limitations has expired. You now can take $1,500 of basis into account for figuring gain or loss only on the sale of each of the remaining seven lots ($22,500 basis divided among all 15 lots). You cannot refigure the basis of the eight lots sold in tax years barred by the statute of limitations.

Adjusted Basis

Before figuring gain or loss on a sale, exchange, or other disposition of property or figuring allowable depreciation, depletion, or amortization, you must usually make certain adjustments to the basis of the property. The result of these adjustments to the basis is the adjusted basis.

Increases to Basis

Increase the basis of any property by all items properly added to a capital account. These include the cost of any improvements having a useful life of more than 1 year.

Rehabilitation expenses also increase basis. However, you must subtract any rehabilitation credit allowed for these expenses before you add them to your basis. If you have to recapture any of the credit, increase your basis by the recaptured amount.

If you make additions or improvements to business property, keep separate accounts for them. Also, you must depreciate the basis of each according to the depreciation rules that would apply to the underlying property if you had placed it in service at the same time you placed the addition or improvement in service. For more information, see Publication 946.

The following items increase the basis of property.

- The cost of extending utility service lines to the property.
- Impact fees.
- Legal fees, such as the cost of defending and perfecting title.
- Legal fees for obtaining a decrease in an assessment levied against property to pay for local improvements.

Table 1. **Examples of Increases and Decreases to Basis**

Increases to Basis	**Decreases to Basis**
Capital improvements: Putting an addition on your home Replacing an entire roof Paving your driveway Installing central air conditioning Rewiring your home	Exclusion from income of subsidies for energy conservation measures Casualty or theft loss deductions and insurance reimbursements Credit for qualified electric vehicles
Assessments for local improvements: Water connections Sidewalks Roads	Section 179 deduction Deduction for clean-fuel vehicles and clean-fuel vehicle refueling property
Casualty losses: Restoring damaged property	Depreciation Nontaxable corporate distributions
Legal fees: Cost of defending and perfecting a title	
Zoning costs	

- Zoning costs.
- The capitalized value of a redeemable ground rent.

Assessments for Local Improvements

Increase the basis of property by assessments for items such as paving roads and building ditches that increase the value of the property assessed. Do not deduct them as taxes. However, you can deduct as taxes charges for maintenance, repairs, or interest charges related to the improvements.

Example. Your city changes the street in front of your store into an enclosed pedestrian mall and assesses you and other affected landowners for the cost of the conversion. Add the assessment to your property's basis. In this example, the assessment is a depreciable asset.

Deducting vs. Capitalizing Costs

Do not add to your basis costs you can deduct as current expenses. For example, amounts paid for incidental repairs or maintenance that are deductible as business expenses cannot be added to basis. However, you can choose either to deduct or to capitalize certain other costs. If you capitalize these costs, include them in your basis. If you deduct them, do not include them in your basis. (See *Uniform Capitalization Rules,* earlier.)

The costs you can choose to deduct or to capitalize include the following.

- Carrying charges, such as interest and taxes, that you pay to own property, except carrying charges that must be capitalized under the uniform capitalization rules.
- Research and experimentation costs.
- Intangible drilling and development costs for oil, gas, and geothermal wells.
- Exploration costs for new mineral deposits.
- Mining development costs for a new mineral deposit.
- Costs of establishing, maintaining, or increasing the circulation of a newspaper or other periodical.
- Cost of removing architectural and transportation barriers to people with disabilities and the elderly. If you claim the disabled access credit, you must reduce the amount you deduct or capitalize by the amount of the credit.

For more information about deducting or capitalizing costs, see chapter 8 in Publication 535.

Decreases to Basis

The following items reduce the basis of property.

- Section 179 deduction.
- Deduction for clean-fuel vehicles and refueling property.
- Nontaxable corporate distributions.
- Deductions previously allowed (or allowable) for amortization, depreciation, and depletion.
- Exclusion of subsidies for energy conservation measures.
- Credit for qualified electric vehicles.
- Postponed gain from sale of home.
- Investment credit (part or all) taken.
- Casualty and theft losses and insurance reimbursements.
- Certain canceled debt excluded from income.
- Rebates from a manufacturer or seller.
- Easements.
- Gas-guzzler tax.
- Tax credit or refund for buying a diesel-powered highway vehicle.
- Adoption tax benefits.
- Credit for employer-provided child care.

Some of these items are discussed next.

Casualties and Thefts

If you have a casualty or theft loss, decrease the basis in your property by any insurance or other reimbursement and by any deductible loss not covered by insurance.

You must increase your basis in the property by the amount you spend on repairs that substantially prolong the life of the property, increase its value, or adapt it to a different use. To make this determination, compare the repaired property to the property before the casualty. For more information on casualty and theft losses, see Publication 547, *Casualties, Disasters, and Thefts.*

Easements

The amount you receive for granting an easement is generally considered to be a sale of an interest in real property. It reduces the basis of the affected part of the property. If the amount received is more than the basis of the part of the property affected by the easement, reduce your basis in that part to zero and treat the excess as a recognized gain.

Credit for Qualified Electric Vehicles

If you claim the credit for a qualified electric vehicle, you must reduce your basis in that vehicle by the maximum credit allowable even if the credit allowed is less than that maximum amount. For information on this credit, see chapter 12 in Publication 535.

Gas-Guzzler Tax

Decrease the basis in your car by the gas-guzzler (fuel economy) tax if you begin using the car within 1 year of the date of its first sale for ultimate use. This rule also applies to someone who later buys the car and begins using it not more than 1 year after the original sale for ultimate use. If the car is imported, the one-year period begins on the date of entry or withdrawal of the car from the warehouse if that date is ***later*** than the date of the first sale for ultimate use.

Section 179 Deduction

If you take the section 179 deduction for all or part of the cost of qualifying business property, decrease the basis of the property by the deduction. For more information about the section 179 deduction, see Publication 946.

Deduction for Clean-Fuel Vehicles and Refueling Property

If you take the deduction for clean-fuel vehicles or clean-fuel vehicle refueling property, decrease the basis of the property by the amount of the deduction. For more information about these deductions, see chapter 12 in Publication 535.

Exclusion of Subsidies for Energy Conservation Measures

You can exclude from gross income any subsidy you received from a public utility company for the purchase or installation of any energy conservation measure for a dwelling unit. Reduce the basis of the property for which you received the subsidy by the excluded amount. For more information on this subsidy, see Publication 525.

Depreciation

Decrease the basis of property by the depreciation you deducted, or could have deducted, on your tax returns under the method of depreciation you chose. If you took less depreciation than you could have under the method chosen, decrease the basis by the amount you could have taken under that method. If you did not take a depreciation deduction, reduce the basis by the full amount of the depreciation you could have taken.

Unless a timely election is made not to deduct the special depreciation allowance for property placed in service after September 10, 2001, decrease the property's basis by the special depreciation allowance you deducted or could have deducted.

If you deducted more depreciation than you should have, decrease your basis by the amount equal to the depreciation you should have deducted plus the part of the excess depreciation you deducted that actually reduced your tax liability for the year.

In decreasing your basis for depreciation, take into account the amount deducted on your tax returns as depreciation and any depreciation capitalized under the uniform capitalization rules.

For information on figuring depreciation, see Publication 946.

If you are claiming depreciation on a business vehicle, see Publication 463. If the car is not used more than 50% for business during the tax year, you may have to recapture excess depreciation. Include the excess depreciation in your gross income and add it to your basis in the property. For information on the computation of excess depreciation, see chapter 4 in Publication 463.

Canceled Debt Excluded From Income

If a debt you owe is canceled or forgiven, other than as a gift or bequest, you generally must include the canceled amount in your gross income for tax purposes. A debt includes any indebtedness for which you are liable or which attaches to property you hold.

You can exclude canceled debt from income in the following situations.

1) Debt canceled in a bankruptcy case or when you are insolvent.
2) Qualified farm debt.
3) Qualified real property business debt (provided you are not a C corporation).

If you exclude from income canceled debt under situation (1) or (2), you may have to reduce the basis of your depreciable and nondepreciable property. However, in situation (3), you ***must*** reduce the basis of your depreciable property by the excluded amount.

For more information about canceled debt in a bankruptcy case or during insolvency, see Publication 908, *Bankruptcy Tax Guide.* For more information about canceled debt that is qualified farm debt, see chapter 4 in Publication 225. For more information about qualified real property business debt, see chapter 5 in Publication 334, *Tax Guide for Small Business.*

Postponed Gain From Sale of Home

If you postponed gain from the sale of your main home before May 7, 1997, you must reduce the basis of your new home by the postponed gain. For more information on the rules for the sale of a home, see Publication 523.

Adoption Tax Benefits

If you claim an adoption credit for the cost of improvements you added to the basis of your home, decrease the basis of your home by the credit allowed. This also applies to amounts you received under an employer's adoption assistance program and excluded from income. For more information on these benefits, see Publication 968, *Tax Benefits for Adoption.*

Employer-Provided Child Care

If you are an employer, you can claim the employer-provided child care credit on amounts you paid or incurred to acquire, construct, rehabilitate, or expand property used as part of your qualified child care facility. You must reduce your basis in that property by the credit claimed.

Example

In January 1997, you paid $80,000 for real property to be used as a factory. You also paid commissions of $2,000 and title search and legal fees of $600. You allocated the total cost of $82,600 between the land and the building—$10,325 for the land and $72,275 for the building. Immediately you spent $20,000 in remodeling the building before you placed it in service. You were allowed depreciation of $14,526 for the years 1997 through 2001. In 2000 you had a $5,000 casualty loss from a fire that was not covered by insurance on the building. You claimed a deduction for this loss. You spent $5,500 to repair the fire damages and extend the useful life of the building. The adjusted basis of the building on January 1, 2002, is figured as follows:

Original cost of building including fees and commissions		$72,275
Adjustments to basis:		
Add:		
Improvements		20,000
Repair of fire damages		5,500
		$97,775
Subtract:		
Depreciation	$14,526	
Deducted casualty loss	5,000	19,526
Adjusted basis on January 1, 2002		**$78,249**

The basis of the land, $10,325, remains unchanged. It is not affected by any of the above adjustments.

Basis Other Than Cost

There are many times when you cannot use cost as basis. In these cases, the fair market value or the adjusted basis of property may be used. Adjusted basis is discussed earlier.

Fair market value (FMV). FMV is the price at which property would change hands between a buyer and a seller, neither having to buy or sell, and both having reasonable knowledge of all necessary facts. Sales of similar property on or about the same date may be helpful in figuring the property's FMV.

Property Received for Services

If you receive property for services, include the property's FMV in income. The amount you include in income becomes your basis. If the services were performed for a price agreed on beforehand, it will be accepted as the FMV of the property if there is no evidence to the contrary.

Bargain Purchases

A bargain purchase is a purchase of an item for less than its FMV. If, as compensation for services, you purchase goods or other property at less than FMV, include the difference between the purchase price and the property's FMV in your income. Your basis in the property is its FMV (your purchase price plus the amount you include in income).

If the difference between your purchase price and the FMV represents a qualified employee discount, do not include the difference in income. However, your basis in the property is still its FMV. See *Employee Discounts* in Publication 15–B, *Employer's Tax Guide to Fringe Benefits*.

Restricted Property

If you receive property for your services and the property is subject to certain restrictions, your basis in the property is its FMV when it becomes substantially vested unless you make the election discussed later. Property becomes substantially vested when your rights in the property or the rights of any person to whom you transfer the property are not subject to a substantial risk of forfeiture.

There is substantial risk of forfeiture when the rights to full enjoyment of the property depend on the future performance of substantial services by any person.

When the property becomes substantially vested, include the FMV, less any amount you paid for the property, in income.

Example. Your employer gives you stock for services performed under the condition that you will have to return the stock unless you complete 5 years of service. The stock is under a substantial risk of forfeiture and is not substantially vested when you receive it. You do not report any income until you have completed the 5 years of service that satisfy the condition.

Fair market value. Figure the FMV of property you received without considering any restriction except one that by its terms will never end.

Example. You received stock from your employer for services you performed. If you want to sell the stock while you are still employed, you must sell the stock to your employer at book value. At your retirement or death, you or your estate must offer to sell the stock to your employer at its book value. This is a restriction that by its terms will never end and you must consider it when you figure the FMV.

Election. You can choose to include in your gross income the FMV of the property at the time of transfer, less any amount you paid for it. If you make this choice, the substantially vested rules do not apply. Your basis is the amount you paid plus the amount you included in income.

See the discussion of *Restricted Property* in Publication 525 for more information.

Taxable Exchanges

A taxable exchange is one in which the gain is taxable or the loss is deductible. A taxable gain or deductible loss is also known as a recognized gain or loss. If you receive property in exchange for other property in a taxable exchange, the basis of property you receive is usually its FMV at the time of the exchange. A taxable exchange occurs when you receive cash or property not similar or related in use to the property exchanged.

Example. You trade a tract of farm land with an adjusted basis of $3,000 for a tractor that has an FMV of $6,000. You must report a taxable gain of $3,000 for the land. The tractor has a basis of $6,000.

Involuntary Conversions

If you receive property as a result of an involuntary conversion, such as a casualty, theft, or condemnation, you can figure the basis of the replacement property you receive using the basis of the converted property.

Similar or related property. If you receive replacement property similar or related in service or use to the converted property, the replacement property's basis is the old property's basis on the date of the conversion. However, make the following adjustments.

1) Decrease the basis by the following.
   a) Any loss you recognize on the conversion.
   b) Any money you receive that you do not spend on similar property.
2) Increase the basis by the following.
   a) Any gain you recognize on the conversion.
   b) Any cost of acquiring the replacement property.

Money or property not similar or related. If you receive money or property not similar or related in service or use to the converted property, and you buy replacement property similar or related in service or use to the converted property, the basis of the new property is its cost decreased by the gain not recognized on the conversion.

Example. The state condemned your property. The property had an adjusted basis of $26,000 and the state paid you $31,000 for it. You realized a gain of $5,000 ($31,000 − $26,000). You bought replacement property similar in use to the converted property for $29,000. You recognize a gain of $2,000 ($31,000 − $29,000), the unspent part of the payment from the state. Your gain not recognized is $3,000, the difference between the $5,000 realized gain and the $2,000 recognized gain. The basis of the new property is figured as follows:

Cost of replacement property	$29,000
Minus: Gain not recognized	3,000
Basis of the replacement property	**$26,000**

Allocating the basis. If you buy more than one piece of replacement property, allocate your basis among the properties based on their respective costs.

Example. The state in the previous example condemned your unimproved real property and the replacement property you bought was improved real property with both land and buildings. Allocate the replacement property's $26,000 basis between land and buildings based on their respective costs.

More information. For more information about condemnations, see *Involuntary Conversions* in Publication 544. For more information about casualty and theft losses, see Publication 547.

Nontaxable Exchanges

Terms you may need to know (see Glossary):

Intangible property

Like-kind property

Personal property

Real property

Tangible property

A nontaxable exchange is an exchange in which you are not taxed on any gain and you cannot deduct any loss. If you receive property in a nontaxable exchange, its basis is usually the same as the basis of the property you transferred. A nontaxable gain or loss is also known as an unrecognized gain or loss.

Like-Kind Exchanges

The exchange of property for the same kind of property is the most common type of nontaxable exchange.

To qualify as a like-kind exchange, you must hold for business or investment purposes both the property you transfer and the property you receive. There must also be an exchange of like-kind property. For more information, see *Like-Kind Exchanges* in Publication 544.

The basis of the property you receive is the same as the basis of the property you gave up.

Example. You exchange real estate (adjusted basis $50,000, FMV $80,000) held for investment for other real estate (FMV $80,000) held for investment. Your basis in the new property is the same as the basis of the old ($50,000).

Exchange expenses. Exchange expenses are generally the closing costs you pay. They include such items as brokerage commissions, attorney fees, deed preparation fees, etc. Add them to the basis of the like-kind property received.

Property plus cash. If you trade property in a like-kind exchange and also pay money, the basis of the property received is the basis of the property you gave up increased by the money you paid.

Example. You trade in a truck (adjusted basis $3,000) for another truck (FMV $7,500) and pay $4,000. Your basis in the new truck is $7,000 (the $3,000 basis of the old truck plus the $4,000 paid).

Special rules for related persons. If a like-kind exchange takes place directly or indirectly between related persons and either party disposes of the property within 2 years after the exchange, the exchange no longer qualifies for like-kind exchange treatment. Each person must report any gain or loss not recognized on the original exchange. Each person reports it on the tax return filed for the year in which the later disposition occurs. If this rule applies, the basis of the property received in the original exchange will be its fair market value.

These rules generally do not apply to the following kinds of property dispositions.

1) Dispositions due to the death of either related person.
2) Involuntary conversions.
3) Dispositions in which neither the original exchange nor the subsequent disposition had as a main purpose the avoidance of federal income tax.

Related persons. Generally, related persons are ancestors, lineal descendants, brothers and sisters (whole or half), and a spouse.

For other related persons (for example, two corporations, an individual and a corporation, a grantor and fiduciary, etc.), see *Nondeductible Loss* in chapter 2 of Publication 544.

Exchange of business property. Exchanging the assets of one business for the assets of another business is a multiple property exchange. For information on figuring basis, see *Multiple Property Exchanges* in chapter 1 of Publication 544.

Partially Nontaxable Exchange

A partially nontaxable exchange is an exchange in which you receive unlike property or money in addition to like property. The basis of the property you receive is the same as the basis of the property you gave up, with the following adjustments.

1) Decrease the basis by the following amounts.
   a) Any money you receive.
   b) Any loss you recognize on the exchange.
2) Increase the basis by the following amounts.
   a) Any additional costs you incur.
   b) Any gain you recognize on the exchange.

If the other party to the exchange assumes your liabilities, treat the debt assumption as money you received in the exchange.

Example. You traded a truck (adjusted basis $6,000) for a new truck (FMV $5,200) and $1,000 cash. You realized a gain of $200 ($6,200 – $6,000). This is the FMV of the truck received plus the cash minus the adjusted basis of the truck you traded ($5,200 + $1,000 – $6,000). You include all the gain in income (recognized gain) because the gain is less than the cash received. Your basis in the new truck is:

Adjusted basis of old truck	$6,000
Minus: Cash received (adjustment 1(a))	1,000
	$5,000
Plus: Gain recognized (adjustment 2(b))	200
Basis of new truck	**$5,200**

Allocation of basis. Allocate the basis first to the unlike property, other than money, up to its FMV on the date of the exchange. The rest is the basis of the like property.

Example. You had an adjusted basis of $15,000 in real estate you held for investment. You exchanged it for other real estate to be held for investment with an FMV of $12,500, a truck with an FMV of $3,000, and $1,000 cash. The truck is unlike property. You realized a gain of $1,500 ($16,500 – $15,000). This is the FMV of the real estate received plus the FMV of the truck received plus the cash ***minus*** the adjusted basis of the real estate you traded ($12,500 + $3,000 + $1,000 – $15,000). You include in income (recognize) all $1,500 of the gain because it is less than the FMV of the unlike property plus the cash received. Your basis in the properties you received is figured as follows.

Adjusted basis of real estate transferred	$15,000
Minus: Cash received (adjustment 1(a))	1,000
	$14,000
Plus: Gain recognized (adjustment 2(b))	1,500
Total basis of properties received	**$15,500**

Allocate the total basis of $15,500 first to the unlike property — the truck ($3,000). This is the truck's FMV. The rest ($12,500) is the basis of the real estate.

Sale and Purchase

If you sell property and buy similar property in two mutually dependent transactions, you may have to treat the sale and purchase as a single nontaxable exchange.

Example. You are a salesperson and you use one of your cars 100% for business. You have used this car in your sales activities for 2 years and have depreciated it. Your adjusted basis in the car is $22,600 and its FMV is $23,100. You are interested in a new car, which sells for $28,000. If you trade your old car and pay $4,900 for the new one, your basis for depreciation for the new car would be $27,500 ($4,900 plus the $22,600 basis of your old car). However, you want a higher basis for depreciating the new car, so you agree to pay the dealer $28,000 for the new car if he will pay you $23,100 for your old car. Because the two transactions are dependent on each other, you are treated as having exchanged your old car for the new one and paid $4,900 ($28,000 – $23,100). Your basis for depreciating the new car is $27,500, the same as if you traded the old car.

Partial Business Use of Property

If you have property used partly for business and partly for personal use, and you exchange it in a nontaxable exchange for property to be used wholly or partly in your business, the basis of the property you receive is figured as if you had exchanged two properties. The first is an exchange of like-kind property. The second is personal-use property on which gain is recognized and loss is not recognized.

First, figure your adjusted basis in the property as if you transferred two separate properties. Figure the adjusted basis of each part of the property by taking into account any adjustments to basis. Deduct the depreciation you took or could have taken from the adjusted basis of the business part. Then figure the amount realized for your property and allocate it to the business and nonbusiness parts of the property.

The business part of the property is permitted to be exchanged tax free. However, you must recognize any gain from the exchange of the nonbusiness part. You are deemed to have received, in exchange for the nonbusiness part, an amount equal to its FMV on the date of the exchange. The basis of the property you acquired is the total basis of the property transferred (adjusted to the date of the exchange), increased by any gain recognized on the nonbusiness part.

TIP *If the nonbusiness part of the property transferred is your main home, you may qualify to exclude from income all or part of the gain on that part. For more information, see Publication 523.*

Trade of car used partly in business. If you trade in a car you used partly in your business for another car you will use in your business, your basis for depreciation of the new car is not the same as your basis for figuring a gain or loss on its sale.

For information on figuring your basis for depreciation, see Publication 463.

Property Transferred From a Spouse

The basis of property transferred to you or transferred in trust for your benefit by your spouse (or former spouse if the transfer is incident to divorce), is the same as your spouse's adjusted basis. However, adjust your basis for any gain recognized by your spouse or former spouse on property transferred in trust. This rule applies only to a transfer of property in trust in which the liabilities assumed, plus the liabilities to which the property is subject, are more than the adjusted basis of the property transferred.

If the property transferred to you is a series E, series EE, or series I United States savings bond, the transferor must include in income the interest accrued to the date of transfer. Your basis in the bond immediately after the transfer is equal to the transferor's basis increased by the interest income includible in the transferor's income. For more information on these bonds, see Publication 550.

At the time of the transfer, the transferor must give you the records necessary to determine the adjusted basis and holding period of the property as of the date of transfer.

For more information, see Publication 504, *Divorced or Separated Individuals.*

Property Received as a Gift

To figure the basis of property you receive as a gift, you must know its adjusted basis (defined earlier) to the donor just before it was given to you, its FMV at the time it was given to you, and any gift tax paid on it.

FMV Less Than Donor's Adjusted Basis

If the FMV of the property at the time of the gift is less than the donor's adjusted basis, your basis depends on whether you have a gain or a loss when you dispose of the property. Your basis for figuring gain is the same as the donor's adjusted basis plus or minus any required adjustment to basis while you held the property. Your basis for figuring loss is its FMV when you received the gift plus or minus any required adjustment to basis while you held the property (see *Adjusted Basis,* earlier).

If you use the donor's adjusted basis for figuring a gain and get a loss, and then use the FMV for figuring a loss and have a gain, you have neither gain nor loss on the sale or disposition of the property.

Example. You received an acre of land as a gift. At the time of the gift, the land had an FMV of $8,000. The donor's adjusted basis was $10,000. After you received the land, no events occurred to increase or decrease your basis. If you sell the land for $12,000, you will have a $2,000 gain because you must use the donor's adjusted basis ($10,000) at the time of the gift as your basis to figure gain. If you sell the land for

$7,000, you will have a $1,000 loss because you must use the FMV ($8,000) at the time of the gift as your basis to figure a loss.

If the sales price is between $8,000 and $10,000, you have neither gain nor loss. For instance, if the sales price was $9,000 and you tried to figure a gain using the donor's adjusted basis ($10,000), you would get a $1,000 loss. If you then tried to figure a loss using the FMV ($8,000), you would get a $1,000 gain.

Business property. If you hold the gift as business property, your basis for figuring any depreciation, depletion, or amortization deduction is the same as the donor's adjusted basis plus or minus any required adjustments to basis while you hold the property.

FMV Equal to or More Than Donor's Adjusted Basis

If the FMV of the property is equal to or greater than the donor's adjusted basis, your basis is the donor's adjusted basis at the time you received the gift. Increase your basis by all or part of any gift tax paid, depending on the date of the gift.

Also, for figuring gain or loss from a sale or other disposition of the property, or for figuring depreciation, depletion, or amortization deductions on business property, you must increase or decrease your basis by any required adjustments to basis while you held the property. See *Adjusted Basis,* earlier.

Gift received before 1977. If you received a gift before 1977, increase your basis in the gift (the donor's adjusted basis) by any gift tax paid on it. However, do not increase your basis above the FMV of the gift at the time it was given to you.

Example 1. You were given a house in 1976 with an FMV of $21,000. The donor's adjusted basis was $20,000. The donor paid a gift tax of $500. Your basis is $20,500, the donor's adjusted basis plus the gift tax paid.

Example 2. If, in Example 1, the gift tax paid had been $1,500, your basis would be $21,000. This is the donor's adjusted basis plus the gift tax paid, limited to the FMV of the house at the time you received the gift.

Gift received after 1976. If you received a gift after 1976, increase your basis in the gift (the donor's adjusted basis) by the part of the gift tax paid on it that is due to the net increase in value of the gift. Figure the increase by multiplying the gift tax paid by a fraction. The numerator of the fraction is the net increase in value of the gift and the denominator is the amount of the gift.

The net increase in value of the gift is the FMV of the gift less the donor's adjusted basis. The amount of the gift is its value for gift tax purposes after reduction by any annual exclusion and marital or charitable deduction that applies to the gift. For information on the gift tax, see Publication 950, *Introduction to Estate and Gift Taxes.*

Example. In 2002, you received a gift of property from your mother that had an FMV of $50,000. Her adjusted basis was $20,000. The amount of the gift for gift tax purposes was $39,000 ($50,000 minus the $11,000 annual exclusion). She paid a gift tax of $9,000. Your basis, $26,930, is figured as follows:

Fair market value	$50,000
Minus: Adjusted basis	20,000
Net increase in value	$30,000
Gift tax paid	$9,000
Multiplied by ($30,000 ÷ $39,000)	.77
Gift tax due to net increase in value	$6,930
Adjusted basis of property to your mother	20,000
Your basis in the property	**$26,930**

Inherited Property

Your basis in property you inherit from a decedent is generally one of the following.

1) The FMV of the property at the date of the individual's death.
2) The FMV on the alternate valuation date if the personal representative for the estate chooses to use alternate valuation. For information on the alternate valuation date, see the instructions for Form 706.
3) The value under the special-use valuation method for real property used in farming or a closely held business if chosen for estate tax purposes. This method is discussed later.
4) The decedent's adjusted basis in land to the extent of the value excluded from the decedent's taxable estate as a qualified conservation easement. For information on a qualified conservation easement, see the instructions to Form 706.

If a federal estate tax return does not have to be filed, your basis in the inherited property is its appraised value at the date of death for state inheritance or transmission taxes.

Appreciated property. The above rule does not apply to appreciated property you receive from a decedent if you or your spouse originally gave the property to the decedent within 1 year before the decedent's death. Your basis in this property is the same as the decedent's adjusted basis in the property immediately before his or her death, rather than its FMV. Appreciated property is any property whose FMV on the day it was given to the decedent is more than its adjusted basis.

Community Property

In community property states (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin), husband and wife are each usually considered to own half the community property. When either spouse dies, the total value of the community property, even the part belonging to the surviving spouse, generally becomes the basis of the entire property. For this rule to apply, at least half the value of the community property interest must be includable in the decedent's gross estate, whether or not the estate must file a return.

For example, you and your spouse owned community property that had a basis of $80,000. When your spouse died, half the FMV of the community interest was includible in your spouse's estate. The FMV of the community interest was $100,000. The basis of your half of the property after the death of your spouse is $50,000 (half of the $100,000 FMV). The basis of the other half to your spouse's heirs is also $50,000.

For more information on community property, see Publication 555, *Community Property*.

Property Held by Surviving Tenant

The following example explains the rule for the basis of property held by a surviving tenant in joint tenancy or tenancy by the entirety.

Example. John and Jim owned, as joint tenants with right of survivorship, business property they purchased for $30,000. John furnished two-thirds of the purchase price and Jim furnished one-third. Depreciation deductions allowed before John's death were $12,000. Under local law, each had a half interest in the income from the property. At the date of John's death, the property had an FMV of $60,000, two-thirds of which is includable in John's estate. Jim figures his basis in the property at the date of John's death as follows:

Interest Jim bought with his own funds—1/3 of $30,000 cost	$10,000	
Interest Jim received on John's death—2/3 of $60,000 FMV	40,000	$50,000
Minus: 1/2 of $12,000 depreciation before John's death		6,000
Jim's basis at the date of John's death		**$44,000**

If Jim had not contributed any part of the purchase price, his basis at the date of John's death would be $54,000. This is figured by subtracting from the $60,000 FMV, the $6,000 depreciation allocated to Jim's half interest before the date of death.

If under local law Jim had no interest in the income from the property and he contributed no part of the purchase price, his basis at John's death would be $60,000, the FMV of the property.

Qualified Joint Interest

Include one-half of the value of a qualified joint interest in the decedent's gross estate. It does not matter how much each spouse contributed to the purchase price. Also, it does not matter which spouse dies first.

A qualified joint interest is any interest in property held by husband and wife as either of the following.

- Tenants by the entirety.
- Joint tenants with right of survivorship if husband and wife are the only joint tenants.

Basis. As the surviving spouse, your basis in property you owned with your spouse as a qualified joint interest is the cost of your half of the property with certain adjustments. Decrease the cost by any deductions allowed to you for depreciation and depletion. Increase the reduced cost by your basis in the half you inherited.

Farm or Closely Held Business

Under certain conditions, when a person dies the executor or personal representative of that person's estate can choose to value the qualified real property on other than its FMV. If so, the executor or personal representative values the qualified real property based on its use as a farm or its use in a closely held business. If the executor or personal representative chooses this method of valuation for estate tax purposes, that value is the basis of the property for the heirs. Qualified heirs should be able to get the necessary value from the executor or personal representative of the estate.

Special-use valuation. If you are a qualified heir who received special-use valuation property, your basis in the property is the estate's or trust's basis in that property immediately before the distribution. Increase your basis by any gain recognized by the estate or trust because of post-death appreciation. Post-death appreciation is the property's FMV on the date of distribution minus the property's FMV either on the date of the individual's death or the alternate valuation date. Figure all FMVs without regard to the special-use valuation.

You can elect to increase your basis in special-use valuation property if it becomes subject to the additional estate tax. This tax is assessed if, within 10 years after the death of the decedent, you transfer the property to a person who is not a member of your family or the property stops being used as a farm or in a closely held business.

To increase your basis in the property, you must make an irrevocable election and pay interest on the additional estate tax figured from the date 9 months after the decedent's death until the date of the payment of the additional estate tax. If you meet these requirements, increase your basis in the property to its FMV on the date of the decedent's death or the alternate valuation date. The increase in your basis is considered to have occurred immediately before the event that results in the additional estate tax.

You make the election by filing with Form 706-A a statement that does all of the following.

1) Contains your name, address, and taxpayer identification number and those of the estate.
2) Identifies the election as an election under section 1016(c) of the Internal Revenue Code.
3) Specifies the property for which the election is made.
4) Provides any additional information required by the Form 706-A instructions.

For more information, see the instructions to Form 706 and Form 706-A.

Property Changed to Business or Rental Use

If you hold property for personal use and then change it to business use or use it to produce rent, you must figure its basis for depreciation. An example of changing property held for personal use to business use would be renting out your former main home.

Basis for depreciation. The basis for depreciation is the lesser of the following amounts.

- The FMV of the property on the date of the change.
- Your adjusted basis on the date of the change.

Example. Several years ago you paid $160,000 to have your home built on a lot that cost $25,000. You paid $20,000 for permanent improvements to the house and claimed a $2,000 casualty loss deduction for damage to the house before changing the property to rental use last year. Because land is not depreciable, you include only the cost of the house when figuring the basis for depreciation.

Your adjusted basis in the house when you changed its use was $178,000 ($160,000 + $20,000 − $2,000). On the same date, your property had an FMV of $180,000, of which $15,000 was for the land and $165,000 was for the house. The basis for figuring depreciation on the house is its FMV on the date of change ($165,000) because it is less than your adjusted basis ($178,000).

Sale of property. If you later sell or dispose of property changed to business or rental use, the basis of the property you use will depend on whether you are figuring gain or loss.

Gain. The basis for figuring a gain is your adjusted basis when you sell the property.

Example. Assume the same facts as in the previous example except that you sell the property at a gain after being allowed depreciation deductions of $37,500. Your adjusted basis for figuring gain is $165,500 ($178,000 + $25,000 (land) − $37,500).

Loss. Figure the basis for a loss starting with the smaller of your adjusted basis or the FMV of the property at the time of the change to business or rental use. Then adjust this amount for the period after the change in the property's use, as discussed earlier under *Adjusted Basis,* to arrive at a basis for loss.

Example. Assume the same facts as in the previous example, except that you sell the property at a loss after being allowed depreciation deductions of $37,500. In this case, you would start with the FMV on the date of the change to rental use ($180,000) because it is less than the adjusted basis of $203,000 ($178,000 + $25,000) on that date. Reduce that amount ($180,000) by the depreciation deductions to arrive at a basis for loss of $142,500 ($180,000 − $37,500).

How To Get Tax Help

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get more information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Contacting your Taxpayer Advocate. If you have attempted to deal with an IRS problem unsuccessfully, you should contact your Taxpayer Advocate.

The Taxpayer Advocate represents your interests and concerns within the IRS by protecting your rights and resolving problems that have not been fixed through normal channels. While Taxpayer Advocates cannot change the tax law or make a technical tax decision, they can clear up problems that resulted from previous contacts and ensure that your case is given a complete and impartial review.

To contact your Taxpayer Advocate:

- Call the Taxpayer Advocate at **1–877–777–4778.**
- Call the IRS at **1–800–829–1040.**
- Call, write, or fax the Taxpayer Advocate office in your area.
- Call **1–800–829–4059** if you are a TTY/TDD user.

For more information, see Publication 1546, *The Taxpayer Advocate Service of the IRS.*

Free tax services. To find out what services are available, get Publication 910, *Guide to Free Tax Services.* It contains a list of free tax publications and an index of tax topics. It also describes other free tax information services, including tax education and assistance programs and a list of TeleTax topics.

Personal computer. With your personal computer and modem, you can access the IRS on the Internet at **www.irs.gov**. While visiting our web site, you can:

- Find answers to questions you may have.
- Download forms and publications or search for forms and publications by topic or keyword.
- View forms that may be filled in electronically, print the completed form, and then save the form for recordkeeping.
- View Internal Revenue Bulletins published in the last few years.
- Search regulations and the Internal Revenue Code.
- Receive our electronic newsletters on hot tax issues and news.
- Get information on starting and operating a small business.

You can also reach us with your computer using File Transfer Protocol at **ftp.irs.gov**.

TaxFax Service. Using the phone attached to your fax machine, you can receive forms and instructions by calling **703–368–9694.** Follow the directions from the prompts. When you order forms, enter the catalog number for the form you need. The items you request will be faxed to you.

For help with transmission problems, call the FedWorld Help Desk at **703–487–4608.**

Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call **1–800–829–3676** to order current and prior year forms, instructions, and publications.

- *Asking tax questions.* Call the IRS with your tax questions at **1–800–829–1040.**
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call **1–800–829–4059** to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call **1–800–829–4477** to listen to pre-recorded messages covering various tax topics.

Evaluating the quality of our telephone services. To ensure that IRS representatives give accurate, courteous, and professional answers, we evaluate the quality of our telephone services in several ways.

- A second IRS representative sometimes monitors live telephone calls. That person only evaluates the IRS assistor and does not keep a record of any taxpayer's name or tax identification number.
- We sometimes record telephone calls to evaluate IRS assistors objectively. We hold these recordings no longer than one week and use them only to measure the quality of assistance.
- We value our customers' opinions. Throughout this year, we will be surveying our customers for their opinions on our service.

CD-ROM. You can order IRS Publication 1796, *Federal Tax Products on CD-ROM,* and obtain:

- Current tax forms, instructions, and publications.
- Prior-year tax forms and instructions.
- Popular tax forms that may be filled in electronically, printed out for submission, and saved for recordkeeping.
- Internal Revenue Bulletins.

The CD-ROM can be purchased from National Technical Information Service (NTIS) by calling **1–877–233–6767** or on the Internet at **www.irs.gov.** The first release is available in mid-December and the final release is available in late January.

IRS Publication 3207, *Small Business Resource Guide,* is an interactive CD-ROM that contains information important to small businesses. It is available in mid-February. You can get a free copy by calling **1–800–829–3676** or visiting the IRS web site at **www.irs.gov.**

Glossary

The definitions in this glossary are the meanings of the terms as used in this publication. The same term used in another publication may have a slightly different meaning.

Amortization: A ratable deduction for the cost of certain intangible property over the period specified by law. Examples of costs that can be amortized are goodwill, agreement not to compete, and research and mining exploration costs.

Business assets: Property used in the conduct of a trade or business, such as business machinery and office furniture.

Capitalization: Adding costs, such as improvements, to the basis of assets.

Depletion: Yearly deduction allowed to recover your investment in minerals in place or standing timber. To take the deduction, you must have the right to income from the extraction and sale of the minerals or the cutting of the timber.

Depreciation: Ratable deduction allowed over a number of years to recover your basis in property that is used more than one year for business or income producing purposes.

Fair market value (FMV): FMV is the price at which property would change hands between a buyer and a seller, neither having to buy or sell, and both having reasonable knowledge of all necessary facts.

Going concern value: Going concern value is the additional value that attaches to property because the property is an integral part of an ongoing business activity. It includes value based on the ability of a business to continue to function and generate income even though there is a change in ownership.

Goodwill: Goodwill is the value of a trade or business based on expected continued customer patronage due to its name, reputation, or any other factor.

Intangible property: Property that cannot be perceived by the senses such as goodwill, patents, copyrights, etc.

Like-kind property: Items of property with the same nature or character. The grade or quality of the properties does not matter. Examples are two vacant plots of land.

Personal property: Property, such as machinery, equipment, or furniture, that is not real property.

Real property: Land and generally anything erected on, growing on, or attached to land, for example, a building.

Recapture: Amount of depreciation or section 179 deduction that must be reported as ordinary income when property is sold at a gain.

Section 179 deduction: This is a special deduction allowed against the cost of certain property purchased for use in the active conduct of a trade or business.

Section 197 intangibles: Certain intangibles held in connection with the conduct of a trade or business or an activity entered into for profit, including goodwill, going concern value, patents, copyrights, formulas, franchises, trademarks, and trade names.

Tangible property: This is property that can be seen or touched, such as furniture and buildings.

Unstated interest: The part of the sales price treated as interest when an installment contract provides for little or no interest.

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Department of the Treasury
Internal Revenue Service

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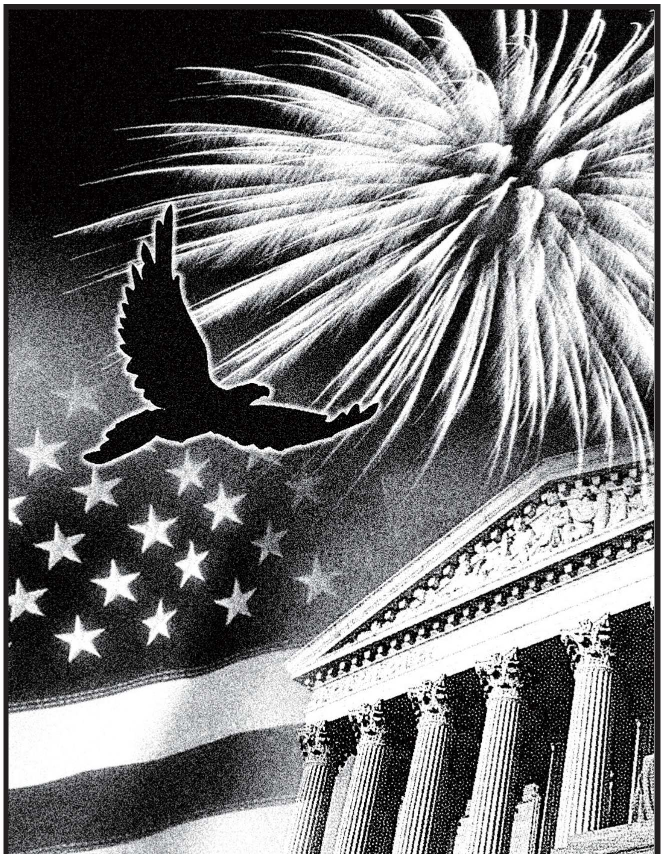
Net Operating Losses (NOLs) for Individuals, Estates, and Trusts

For use in preparing
2008 Returns



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What's New

5-year carryback of 2008 NOLs for eligible small businesses. For 2008, you can choose a 3, 4, or 5-year carryback period for the part of your 2008 NOL that is an eligible small business loss. See *Eligible small business (ESB) loss*, later.

Tax relief for federally declared disaster areas. A 5-year carryback period applies to the portion of an NOL that is a qualified disaster loss. See *Qualified disaster loss*, later.

Tax relief for the Kansas disaster area. A 5-year carryback period applies to the portion of an NOL that is a qualified recovery assistance loss. See *Qualified recovery assistance loss*, later.

Tax relief for the Midwestern disaster areas. A 5-year carryback period applies to the portion of an NOL that is a qualified disaster recovery assistance loss. See *Qualified disaster recovery assistance loss*, later.

Qualified GO Zone loss. The definition of qualified GO Zone loss no longer includes certain deductions that expired before 2008. See *Qualified GO Zone loss*, later. For a list of the deductions that have expired, see page 6 of Publication 4492. (See Publication 4492, pages 12 and 13, for the special depreciation allowance.

Mar 24, 2009

Reminder

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Introduction

If your deductions for the year are more than your income for the year, you may have a net operating loss (NOL). An NOL year is the year in which an NOL occurs. You can use an NOL by deducting it from your income in another year or years.

What this publication covers. This publication discusses NOLs for individuals, estates, and trusts. It covers:

- How to figure an NOL,
- When to use an NOL,
- How to claim an NOL deduction, and
- How to figure an NOL carryover.

To have an NOL, your loss must generally be caused by deductions from your:

- Trade or business,
- Work as an employee,
- Casualty and theft losses,
- Moving expenses, or
- Rental property.

A loss from operating a business is the most common reason for an NOL.

Partnerships and S corporations generally cannot use an NOL. However, partners or shareholders can use their separate shares of the partnership's or S corporation's business income and business deductions to figure their individual NOLs.

Keeping records. You should keep records for any tax year that generates an NOL for 3 years after you have used the carryback/carryforward or 3 years after the carryforward expires.

What is not covered in this publication? The following topics are not covered in this publication.

- Bankruptcies. See Publication 908, Bankruptcy Tax Guide.
- NOLs of corporations. See Publication 542, Corporations.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can write to us at the following address:

Internal Revenue Service
Individual Forms and Publications Branch
SE:W:CAR:MP:T:I
1111 Constitution Ave. NW, IR-6526
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can email us at *taxforms@irs.gov*. (The asterisk must be included in the address.) Please put "Publications Comment" on the subject line. Although we cannot respond individually to each email, we do appreciate your feedback and will consider your comments as we revise our tax products.

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Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61705-6613

Tax questions. If you have a tax question, check the information available on *www.irs.gov* or call 1-800-829-1040. We cannot answer tax questions sent to either of the above addresses.

Useful Items

You may want to see:

Publication

- ❏ **4492** Information for Taxpayers Affected by Hurricanes Katrina, Rita, and Wilma
- ❏ **4492-A** Information for Taxpayers Affected by the May 4, 2007, Kansas Storms and Tornadoes
- ❏ **4492-B** Information for Affected Taxpayers in the Midwestern Disaster Areas

Form (and Instructions)

- ❏ **1040X** Amended U.S. Individual Income Tax Return
- ❏ **1045** Application for Tentative Refund

See *How To Get Tax Help* near the end of this publication for information about getting these publications and forms.

NOL Steps

Follow Steps 1 through 5 to figure and use your NOL.

Step 1. Complete your tax return for the year. You may have an NOL if a negative figure appears on the line below:

Individuals — Form 1040, line 41, or Form 1040NR, line 38.

Estates and trusts — Form 1041, line 22.

If the amount on that line is not negative, stop here — you do not have an NOL.

Step 2. Determine whether you have an NOL and its amount. See *How To Figure an NOL*, later. If you do not have an NOL, stop here.

Step 3. Decide whether to carry the NOL back to a past year or to waive the carryback period and instead carry the NOL forward to a future year. See *When To Use an NOL*, later.

Step 4. Deduct the NOL in the carryback or carryforward year. See *How To Claim an NOL Deduction*, later. If your NOL deduction is equal to or less than your taxable income without the deduction, stop here — you have used up your NOL.

Step 5. Determine the amount of your unused NOL. See *How To Figure an NOL Carryover*, later. Carry over the unused NOL to the next carryback or carryforward year and begin again at Step 4.

Note. If your NOL deduction includes more than one NOL amount, apply Step 5 separately to each NOL amount, starting with the amount from the earliest year.

How To Figure an NOL

If your deductions for the year are more than your income for the year, you may have an NOL.

There are rules that limit what you can deduct when figuring an NOL. In general, the following items are not allowed when figuring an NOL.

- Any deduction for personal exemptions.
- Capital losses in excess of capital gains.
- The section 1202 exclusion of 50% of the gain from the sale or exchange of qualified small business stock.
- Nonbusiness deductions in excess of nonbusiness income.
- Net operating loss deduction.
- The domestic production activities deduction.

Schedule A (Form 1045). Use Schedule A (Form 1045) to figure an NOL. The following discussion explains Schedule A and includes an illustrated example.

First, complete Schedule A, line 1, using amounts from your return. If line 1 is a negative amount, you may have an NOL.

Next, complete the rest of Schedule A to figure your NOL.

Nonbusiness deductions (line 6). Enter on line 6 deductions that are not connected to your trade or business or your employment. Examples of deductions not related to your trade or business are:

- Alimony paid,
- Deductions for contributions to an IRA or a self-employed retirement plan,
- Health savings account deduction,
- Archer MSA deduction,

- The additional exemption amount for providing housing to a Midwestern displaced individual from Form 8914, line 2,
- Most itemized deductions (except for casualty and theft losses, state income tax on business profits, and any employee business expenses), and
- The standard deduction (except the amount of any net disaster loss from Form 4684, line 18a).

Do not include on line 6 the deduction for personal exemptions for you, your spouse, or your dependents.

Do not enter business deductions on line 6. These are deductions that are connected to your trade or business. They include the following.

- State income tax on business profits.
- Moving expenses.
- Educator expenses.
- The deduction of one-half of your self-employment tax or your deduction for self-employed health insurance.
- Domestic production activities deduction.
- Rental losses.
- Loss on the sale or exchange of business real estate or depreciable property.
- Your share of a business loss from a partnership or S corporation.
- Ordinary loss on the sale or exchange of stock in a small business corporation or a small business investment company.
- If you itemize your deductions, casualty and theft losses (even if they involve nonbusiness property) and employee business expenses (such as union dues, uniforms, tools, education expenses, and travel and transportation expenses).
- The amount of any net disaster loss from Form 4684, line 18a, you included in your standard deduction.
- Loss on the sale of accounts receivable (if you use an accrual method of accounting).
- Interest and litigation expenses on state and federal income taxes related to your business.
- Unrecovered investment in a pension or annuity claimed on a decedent's final return.
- Payment by a federal employee to buy back sick leave used in an earlier year.

Nonbusiness income (line 7). Enter on line 7 only income that is not related to your trade or business or your employment. For example, enter your annuity income, dividends, and interest on investments. Also, include your share of nonbusiness income from partnerships and S corporations.

Do not include on line 7 the income you receive from your trade or business or your employment. This includes salaries and wages, self-employment income, and your share of business income from partnerships and S corporations. Also, do not include rental income or ordinary gain from the sale or other disposition of business real estate or depreciable business property.

Adjustment for section 1202 exclusion (line 17). Enter on line 17 any gain you excluded under Internal Revenue Code section 1202 on the sale or exchange of qualified small business stock.

Adjustments for capital losses (lines 19 – 22). The amount deductible for capital losses is limited based on whether the losses are business capital losses or nonbusiness capital losses.

Nonbusiness capital losses. You can deduct your nonbusiness capital losses (line 2) only up to the amount of your nonbusiness capital gains without regard to any section 1202 exclusion (line 3). If your nonbusiness capital losses are more than your nonbusiness capital gains without regard to any section 1202 exclusion, you cannot deduct the excess.

Business capital losses. You can deduct your business capital losses (line 11) only up to the total of:

- Your nonbusiness capital gains that are more than the total of your nonbusiness capital losses and excess nonbusiness deductions (line 10), and
- Your total business capital gains without regard to any section 1202 exclusion (line 12).

Domestic production activities deduction (line 23). You cannot take the domestic production activities deduction when figuring your NOL. Enter on line 23 any domestic production activities deduction claimed on your return.

NOLs from other years (line 24). You cannot deduct any NOL carryovers or carrybacks from other years. Enter the total amount of your NOL deduction for losses from other years.

Illustrated Schedule A (Form 1045)

The following example illustrates how to figure an NOL. It includes filled-in pages 1 and 2 of Form 1040 and Schedule A (Form 1045).

Example. Glenn Johnson is in the retail record business. He is single and has the following income and deductions on his Form 1040 for 2008.

INCOME	
Wages from part-time job	$1,225
Interest on savings	425
Net long-term capital gain on sale of real estate used in business	2,000
Glenn's total income	$3,650
DEDUCTIONS	
Net loss from business (gross income of $67,000 minus expenses of $72,000)	$5,000
Net short-term capital loss on sale of stock	1,000
Standard deduction	5,450
Personal exemption	3,500
Glenn's total deductions	$14,950

Glenn's deductions exceed his income by $11,300 ($14,950 – $3,650). However, to figure whether he has an NOL, certain deductions are not allowed. He uses Schedule A (Form 1045) to figure his NOL. See the illustrated Schedule A (Form 1045), later.

The following items are not allowed on Schedule A (Form 1045).

Nonbusiness net short-term capital loss	$1,000
Nonbusiness deductions (standard deduction, $5,450) minus nonbusiness income (interest, $425)	5,025
Deduction for personal exemption	3,500
Total adjustments to net loss	$9,525

Therefore, Glenn's NOL for 2008 is figured as follows:

Glenn's total 2008 income		$3,650
Less:		
Glenn's original 2008 total deductions	$14,950	
Reduced by the disallowed items	– 9,525	– 5,425
Glenn's NOL for 2008		$1,775

TIP *Glenn has a $5,000 small business loss, which is more than his NOL of $1,775. For 2008, Glenn can carry back his NOL 2 years under the general 2-year carryback rule, or he can choose a 3, 4, or 5-year carryback period for his entire NOL under the rule for eligible small business losses.*

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **2008** (99) IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2008, or other tax year beginning , 2008, ending , 20 OMB No. 1545-0074

Label

(See instructions on page 14.)

Use the IRS label. Otherwise, please print or type.

LABEL HERE

Your first name and initial: Glenn M.	Last name: Johnson	**Your social security number**: 765 : 00 : 4321
If a joint return, spouse's first name and initial	Last name	**Spouse's social security number**
Home address (number and street). If you have a P.O. box, see page 14.: 5603 E. Main Street	Apt. no.	▲ You **must** enter your SSN(s) above. ▲
City, town or post office, state, and ZIP code. If you have a foreign address, see page 14.: Anytown, VA 20000		Checking a box below will not change your tax or refund.

Presidential Election Campaign ▶ Check here if you, or your spouse if filing jointly, want $3 to go to this fund (see page 14) ▶ ☑ **You** ☐ **Spouse**

Filing Status

Check only one box.

1 ☑ Single
2 ☐ Married filing jointly (even if only one had income)
3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See page 15.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child (see page 16)

Exemptions

6a ☑ **Yourself.** If someone can claim you as a dependent, **do not** check box 6a . . . . } **Boxes checked on 6a and 6b** 1
b ☐ **Spouse** . . . . }

c **Dependents:**

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 17)
			☐
			☐
			☐
			☐

If more than four dependents, see page 17.

No. of children on 6c who:
- **lived with you** ______
- **did not live with you due to divorce or separation (see page 18)** ______

Dependents on 6c not entered above ______

d Total number of exemptions claimed . . . . **Add numbers on lines above** ▶ 1

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see page 21.

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

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	1,225	
8a	**Taxable** interest. Attach Schedule B if required	8a	425	
b	**Tax-exempt** interest. **Do not** include on line 8a . . . 8b			
9a	Ordinary dividends. Attach Schedule B if required	9a		
b	Qualified dividends (see page 21) . . . 9b			
10	Taxable refunds, credits, or offsets of state and local income taxes (see page 22)	10		
11	Alimony received	11		
12	Business income or (loss). Attach Schedule C or C-EZ	12	(5,000)	
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐	13	1,000	*
14	Other gains or (losses). Attach Form 4797	14		
15a	IRA distributions 15a — b Taxable amount (see page 23)	15b		
16a	Pensions and annuities 16a — b Taxable amount (see page 24)	16b		
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17		
18	Farm income or (loss). Attach Schedule F	18		
19	Unemployment compensation	19		
20a	Social security benefits 20a — b Taxable amount (see page 26)	20b		
21	Other income. List type and amount (see page 28)	21		
22	Add the amounts in the far right column for lines 7 through 21. This is your **total income** ▶	22	(2,350)	

Adjusted Gross Income

23	Educator expenses (see page 28)	23			
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24			
25	Health savings account deduction. Attach Form 8889	25			
26	Moving expenses. Attach Form 3903	26			
27	One-half of self-employment tax. Attach Schedule SE	27			
28	Self-employed SEP, SIMPLE, and qualified plans	28			
29	Self-employed health insurance deduction (see page 29)	29			
30	Penalty on early withdrawal of savings	30			
31a	Alimony paid b Recipient's SSN ▶	31a			
32	IRA deduction (see page 30)	32			
33	Student loan interest deduction (see page 33)	33			
34	Tuition and fees deduction. Attach Form 8917	34			
35	Domestic production activities deduction. Attach Form 8903	35			
36	Add lines 23 through 31a and 32 through 35			36	
37	Subtract line 36 from line 22. This is your **adjusted gross income** ▶			37	(2,350)

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 88. Cat. No. 11320B Form **1040** (2008)

*Net capital gain ($2,000 less $1,000 loss)

Tax and Credits

38	Amount from line 37 (adjusted gross income)	38	(2,350)
39a	Check if: ☐ **You** were born before January 2, 1944, ☐ Blind. ☐ **Spouse** was born before January 2, 1944, ☐ Blind. **Total boxes checked ▶ 39a**		
b	If your spouse itemizes on a separate return or you were a dual-status alien, see page 34 and check here ▶ 39b ☐		
c	Check if standard deduction includes real estate taxes or disaster loss (see page 34) ▶ 39c ☐		
40	**Itemized deductions** (from Schedule A) **or** your **standard deduction** (see left margin)	40	5,450
41	Subtract line 40 from line 38	41	(7,800)
42	If line 38 is over $119,975, or you provided housing to a Midwestern displaced individual, see page 36. Otherwise, multiply $3,500 by the total number of exemptions claimed on line 6d	42	3,500
43	**Taxable income.** Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43	-0-
44	**Tax** (see page 36). Check if any tax is from: **a** ☐ Form(s) 8814 **b** ☐ Form 4972	44	
45	**Alternative minimum tax** (see page 39). Attach Form 6251	45	
46	Add lines 44 and 45 ▶	46	
47	Foreign tax credit. Attach Form 1116 if required	47	
48	Credit for child and dependent care expenses. Attach Form 2441	48	
49	Credit for the elderly or the disabled. Attach Schedule R	49	
50	Education credits. Attach Form 8863	50	
51	Retirement savings contributions credit. Attach Form 8880	51	
52	Child tax credit (see page 42). Attach Form 8901 if required	52	
53	Credits from Form: **a** ☐ 8396 **b** ☐ 8839 **c** ☐ 5695	53	
54	Other credits from Form: **a** ☐ 3800 **b** ☐ 8801 **c** ☐	54	
55	Add lines 47 through 54. These are your **total credits**	55	
56	Subtract line 55 from line 46. If line 55 is more than line 46, enter -0- ▶	56	

Standard Deduction for—
- People who checked any box on line 39a, 39b, or 39c **or** who can be claimed as a dependent, see page 34.
- All others:

Single or Married filing separately, $5,450

Married filing jointly or Qualifying widow(er), $10,900

Head of household, $8,000

SAMPLE

Other Taxes

57	Self-employment tax. Attach Schedule SE	57	
58	Unreported social security and Medicare tax from Form: **a** ☐ 4137 **b** ☐ 8919	58	
59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59	
60	Additional taxes: **a** ☐ AEIC payments **b** ☐ Household employment taxes. Attach Schedule H	60	
61	Add lines 56 through 60. This is your **total tax** ▶	61	

Payments

62	Federal income tax withheld from Forms W-2 and 1099	62	
63	2008 estimated tax payments and amount applied from 2007 return	63	
64a	**Earned income credit (EIC)**	64a	
b	Nontaxable combat pay election 64b		
65	Excess social security and tier 1 RRTA tax withheld (see page 61)	65	
66	Additional child tax credit. Attach Form 8812	66	
67	Amount paid with request for extension to file (see page 61)	67	
68	Credits from Form: **a** ☐ 2439 **b** ☐ 4136 **c** ☐ 8801 **d** ☐ 8885	68	
69	First-time homebuyer credit. Attach Form 5405	69	
70	Recovery rebate credit (see worksheet on pages 62 and 63)	70	
71	Add lines 62 through 70. These are your **total payments** ▶	71	

If you have a qualifying child, attach Schedule EIC.

Refund

Direct deposit? See page 63 and fill in 73b, 73c, and 73d, or Form 8888.

72	If line 71 is more than line 61, subtract line 61 from line 71. This is the amount you **overpaid**	72	
73a	Amount of line 72 you want **refunded to you.** If Form 8888 is attached, check here ▶ ☐	73a	
▶ b	Routing number ▶ **c** Type: ☐ Checking ☐ Savings		
▶ d	Account number		
74	Amount of line 72 you want **applied to your 2009 estimated tax** ▶ 74		

Amount You Owe

75	**Amount you owe.** Subtract line 71 from line 61. For details on how to pay, see page 65 ▶	75	
76	Estimated tax penalty (see page 65) 76		

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 66)? ☐ **Yes.** Complete the following. ☐ **No**

Designee's name ▶ Phone no. ▶ ( ) Personal identification number (PIN) ▶

Sign Here

Joint return? See page 15. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	Daytime phone number
Glenn M. Johnson	2-4-09	Self-employed	( )
Spouse's signature. If a joint return, **both** must sign.	Date	Spouse's occupation	

Paid Preparer's Use Only

Preparer's signature	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code		EIN	
		Phone no.	( )

Form **1040** (2008)

Schedule A—NOL (see page 7 of the instructions)

1	Enter the amount from your 2008 Form 1040, line 41, or Form 1040NR, line 38, minus any amount on Form 8914, line 2. Estates and trusts, enter taxable income increased by the total of the charitable deduction, income distribution deduction, and exemption amount			(7,800)
2	Nonbusiness capital losses before limitation. Enter as a positive number		1,000	
3	Nonbusiness capital gains (without regard to any section 1202 exclusion)			
4	If line 2 is more than line 3, enter the difference; otherwise, enter -0-		1,000	
5	If line 3 is more than line 2, enter the difference; otherwise, enter -0-	-0-		
6	Nonbusiness deductions (see page 7 of the instructions)		5,450	
7	Nonbusiness income other than capital gains (see page 8 of the instructions)	425		
8	Add lines 5 and 7		425	
9	If line 6 is more than line 8, enter the difference; otherwise, enter -0-			5,025
10	If line 8 is more than line 6, enter the difference; otherwise, enter -0-. **But do not enter more than line 5**	-0-		
11	Business capital losses before limitation. Enter as a positive number			
12	Business capital gains (without regard to any section 1202 exclusion)	2,000		
13	Add lines 10 and 12		2,000	
14	Subtract line 13 from line 11. If zero or less, enter -0-		-0-	
15	Add lines 4 and 14		1,000	
16	Enter the loss, if any, from line 16 of Schedule D (Form 1040). (Estates and trusts, enter the loss, if any, from line 15, column (3), of Schedule D (Form 1041).) Enter as a positive number. If you do not have a loss on that line (and do not have a section 1202 exclusion), skip lines 16 through 21 and enter on line 22 the amount from line 15			
17	Section 1202 exclusion. Enter as a positive number			
18	Subtract line 17 from line 16. If zero or less, enter -0-		-0-	
19	Enter the loss, if any, from line 21 of Schedule D (Form 1040). (Estates and trusts, enter the loss, if any, from line 16 of Schedule D (Form 1041).) Enter as a positive number			
20	If line 18 is more than line 19, enter the difference; otherwise, enter -0-		-0-	
21	If line 19 is more than line 18, enter the difference; otherwise, enter -0-			-0-
22	Subtract line 20 from line 15. If zero or less, enter -0-			1,000
23	Domestic production activities deduction from Form 1040, line 35, or Form 1040NR, line 33 (or included on Form 1041, line 15a)			
24	NOL deduction for losses from other years. Enter as a positive number			
25	**NOL.** Combine lines 1, 9, 17, and 21 through 24. If the result is less than zero, enter it here and on page 1, line 1a. If the result is zero or more, you **do not** have an NOL			(1,775)

Form **1045** (2008)

When To Use an NOL

Generally, if you have an NOL for a tax year ending in 2008, you must carry back the entire amount of the NOL to the 2 tax years before the NOL year (the carryback period), and then carry forward any remaining NOL for up to 20 years after the NOL year (the carryforward period). You can, however, choose not to carry back an NOL and only carry it forward. See *Waiving the Carryback Period*, later. You cannot deduct any part of the NOL remaining after the 20-year carryforward period.

NOL year. This is the year in which the NOL occurred.

Exceptions to 2-Year Carryback Rule

Eligible losses, farming losses, qualified disaster losses, qualified GO Zone losses, qualified recovery assistance losses, qualified disaster recovery assistance losses, eligible small business losses, and specified liability losses, defined next, qualify for longer carryback periods.

Eligible loss. The carryback period for eligible losses is 3 years. Only the eligible loss portion of the NOL can be carried back 3 years. An eligible loss is any part of an NOL that:

- Is from a casualty or theft, or
- Is attributable to a federally declared disaster for a qualified small business.

Qualified small business. A qualified small business is a sole proprietorship or a partnership that has average annual gross receipts (reduced by returns and allowances) of $5 million or less during the 3-year period ending with the tax year of the NOL. If the business did not exist for this entire 3-year period, use the period the business was in existence.

An eligible loss does not include a farming loss, a qualified disaster loss, a qualified GO Zone loss, a qualified recovery assistance loss, or a qualified disaster recovery assistance loss. An eligible loss also does not include an eligible small business loss for which you choose a 3, 4, or 5-year carryback period under section 172(b)(1)(H) of the Internal Revenue Code.

Farming loss. The carryback period for a farming loss is 5 years. Only the farming loss portion of the NOL can be carried back 5 years. A farming loss is the smaller of:

1. The amount that would be the NOL for the tax year if only income and deductions attributable to farming businesses were taken into account, or
2. The NOL for the tax year.

Farming business. A farming business is a trade or business involving cultivation of land, raising or harvesting of any agricultural or horticultural commodity, operating a nursery or sod farm, raising or harvesting of trees bearing fruit, nuts, or other crops, or ornamental trees. The raising, shearing, feeding, caring for, training, and management of animals is also considered a farming business.

A farming business does not include contract harvesting of an agricultural or horticultural commodity grown or raised by someone else. It also does not include a business in which you merely buy or sell plants or animals grown or raised by someone else.

Waiving the 5-year carryback. You can choose to figure the carryback period for a farming loss without regard to the special 5-year carryback rule. To make this choice for 2008, attach to your 2008 income tax return filed by the due date (including extensions) a statement that you are choosing to treat any 2008 farming losses without regard to the special 5-year carryback rule. If you filed your return on time, you can make this choice on an amended return filed within 6 months after the due date of the return (excluding extensions). Attach a statement to your amended return, and write “Filed pursuant to section 301.9100-2” at the top of the statement. Once made, this choice is irrevocable.

Qualified disaster loss. The carryback period for a qualified disaster loss is 5 years. Only the qualified disaster loss portion of the NOL can be carried back 5 years. A qualified disaster loss is the smaller of:

1. The sum of:
   a. Any losses attributable to a federally declared disaster and occurring in the disaster area, plus
   b. Any allowable qualified disaster expenses (even if you did not choose to treat those expenses as deductions in the current year), or
2. The NOL for the tax year.

Qualified disaster expenses. A qualified disaster expense is any capital expense paid or incurred in connection with a trade or business or with business-related property which is:

- For the abatement or control of hazardous substances that were released as a result of a federally declared disaster,
- For the removal of debris from, or the demolition of structures on, real property which is business-related property damaged or destroyed as a result of a federally declared disaster, or
- For the repair of business-related property damaged as a result of a federally declared disaster.

Business-related property is property held for use in a trade or business, property held for the production of income, or inventory property.

Note. Internal Revenue Code section 198A allows taxpayers to treat certain capital expenses (qualified disaster expenses) as deductions in the year the expenses were paid or incurred.

Excluded losses. A qualified disaster loss does not include any losses from property used in connection with any private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, or any store for which the principal business is the sale of alcoholic beverages for consumption off premises.

A qualified disaster loss also does not include any losses from any gambling or animal racing property. Gambling or animal racing property is any equipment, furniture, software, or other property used directly in connection with gambling, the racing of animals, or the on-site viewing of such racing, and the portion of any real property (determined by square footage) that is dedicated to gambling, the racing of animals, or the on-site viewing of such racing, unless this portion is less than 100 square feet.

Waiving the 5-year carryback. You can choose to figure the carryback period for a qualified disaster loss without regard to the special 5-year carryback rule. To make this choice for 2008, attach to your 2008 income tax return filed by the due date (including extensions) a statement that you are choosing to treat any 2008 qualified disaster losses without regard to the special 5-year carryback rule. If you filed your return on time, you can make this choice on an amended return filed within 6 months after the due date of the return (excluding extensions). Attach a statement to your amended return, and write “Filed pursuant to section 301.9100-2” at the top of the statement. Once made, this choice is irrevocable.

Qualified GO Zone loss. The carryback period for a qualified GO Zone loss is 5 years. Only the qualified GO Zone loss portion of the NOL can be carried back 5 years. For tax years beginning in 2008, a qualified GO Zone loss is the smaller of:

1. The excess of the NOL for the year over the specified liability loss for the year to which a 10-year carryback applies, or
2. The total of any depreciation allowable for qualified GO Zone nonresidential real property and residential rental property placed in service in 2008 and specified GO Zone extension property placed in service in 2009 during the tax year (even if you elected not to claim the special GO Zone depreciation allowance for such property).

See Publication 4492 for a list of counties and parishes included in the GO Zone.

Waiving the 5-year carryback. You can choose to figure the carryback period for a qualified GO Zone loss without regard to the special 5-year carryback rule. To make this choice for 2008, attach to your 2008 income tax return filed by the due date (including extensions) a statement that you are choosing to treat any 2008 qualified GO Zone losses without regard to the special 5-year carryback rule. If you filed your original return on time, you can make this choice on an amended return filed within 6 months after the due date of the return (excluding extensions). Attach a statement to your amended return, and write “Filed pursuant to section 301.9100-2” at the top of the statement. Once made, this choice is irrevocable.

Qualified recovery assistance loss. The carryback period for a qualified recovery assistance loss is 5 years. Only the qualified recovery assistance loss portion of the NOL can be carried back 5 years. For the definition of qualified recovery assistance loss, see page 2 of Publication 4492-A.

Waiving the 5-year carryback. You can choose to figure the carryback period for a qualified recovery assistance loss without regard to the special 5-year carryback rule. To make this choice for 2008, attach to your 2008 income tax return filed by the due date (including extensions) a statement that you are choosing to treat any 2008 qualified recovery assistance losses without regard to the special 5-year carryback rule. If you filed your return on time, you can make this choice on an amended return filed within 6 months after the due date of the return (excluding extensions). Attach a statement to your amended return, and write "Filed pursuant to section 301.9100-2" at the top of the statement. Once made, this choice is irrevocable.

Qualified disaster recovery assistance loss. The carryback period for a qualified disaster recovery assistance loss is 5 years. Only the qualified disaster recovery assistance loss portion of the NOL can be carried back 5 years. For the definition of qualified disaster recovery assistance loss, see page 5 of Publication 4492-B.

Waiving the 5-year carryback. You can choose to figure the carryback period for a qualified disaster recovery assistance loss without regard to the special 5-year carryback rule. To make this choice for 2008, attach to your 2008 income tax return filed by the due date (including extensions) a statement that you are choosing to treat any 2008 qualified disaster recovery assistance losses without regard to the special 5-year carryback rule. If you filed your return on time, you can make this choice on an amended return filed within 6 months after the due date of the return (excluding extensions). Attach a statement to your amended return, and write "Filed pursuant to section 301.9100-2" at the top of the statement. Once made, this choice is irrevocable.

Eligible small business (ESB) loss. You can choose a 3, 4, or 5-year carryback period for an ESB loss. The 3, 4, or 5-year carryback period applies only to the ESB loss portion of the NOL. An ESB loss is the smaller of:

1. The amount that would be the 2008 NOL if only income, gains, losses, and deductions attributable to ESBs were taken into account, or
2. The 2008 NOL.

An ESB is a sole proprietorship, partnership, or S corporation that has average annual gross receipts (reduced by returns and allowances) of $15 million or less during the 3-year period ending with the tax year of the NOL. This gross receipts test is applied at the sole proprietorship, partnership, or corporate level, and the aggregation rules of Internal Revenue Code section 448(c)(2) apply. If the business did not exist for this entire 3-year period, use the period the business was in existence.

A 2008 NOL is any NOL for a tax year ending in 2008. For a fiscal year taxpayer with a tax year beginning in 2007 and ending in 2008, follow the instructions in this publication, except use a 2007 Form 1045 to claim an NOL attributable to an ESB loss. However, a fiscal year taxpayer can choose to treat an NOL for a tax year beginning in 2008 as a 2008 NOL. See *Fiscal year taxpayers*, later.

Electing a 3, 4, or 5-year carryback. To choose a 3, 4, or 5-year carryback period for an ESB loss for 2008, attach to your 2008 income tax return filed by the due date (including extensions) a statement the you are choosing a 3, 4, or 5-year carryback period under section 172(b)(1)(H) for any 2008 ESB loss. (When you make this choice, you can choose only one (3, 4, **or** 5) carryback period.) The return must be filed by the later of its due date (including extensions) or April 17, 2009. If you filed your return on time, you can make this choice on an amended return filed within 6 months after the due date of the return (excluding extensions or, if later, by April 17, 2009). Attach a statement to your amended return, and, if filed after April 17, 2009, write "Filed pursuant to section 301.9100-2" at the top of the statement. Once made, this choice is irrevocable.

Changing your carryback period. If you already filed a tax return for your 2008 NOL tax year, and you now want to choose a 3, 4, or 5-year carryback period for an ESB loss, you must file Form 1045 or an amended return (using Form 1040X or Form 1041) for the earliest tax year to which you are carrying back your 2008 NOL. The Form 1045 or amended return must be filed by the later of:

1. 6 months after the due date (excluding extensions) for filing the tax return for your 2008 NOL tax year, or
2. April 17, 2009.

Enter "2008 NOL Carryback Election Pursuant to Rev. Proc. 2009-19" across the top of the Form 1045 or amended return. If you already filed Form 1045 or an amended return to claim your 2008 NOL carryback, also enter "Amended NOL Carryback Election Pursuant to Rev. Proc. 2009-19" across the top of the amended Form 1045 or amended return.

Fiscal year taxpayers. A fiscal year taxpayer can choose to treat an NOL for tax years beginning in 2008 as a 2008 NOL. To make this choice, attach to the tax return for the tax year beginning in 2008, a statement that you are choosing under section 172(b)(1)(H) to treat the NOL as a 2008 NOL. The return must be filed by the later of its due date (including extensions) or April 17, 2009. If you filed your return on time, you can make this choice on an amended return filed within 6 months after the due date of the return (excluding extensions). Attach a statement to your amended return, and write "Filed pursuant to section 301.9100-2" at the top of the statement. Once made, this choice is irrevocable.

If you previously chose a 3, 4, or 5-year carryback period for an NOL for a tax year ending in 2008, you cannot make this choice (to treat an NOL for a tax year beginning in 2008 as a 2008 NOL). Also, if you choose to treat an NOL for a tax year beginning in 2008 as a 2008 NOL, any NOL for a tax year ending in 2008 is not a 2008 NOL.

Specified liability loss. The carryback period for a specified liability loss is 10 years. Only the specified liability loss portion of the NOL can be carried back 10 years. Generally, a specified liability loss is a loss arising from:

- Product liability, or
- An act (or failure to act) that occurred at least 3 years before the beginning of the loss year and resulted in a liability under a federal or state law requiring:

1. Reclamation of land,
2. Dismantling of a drilling platform,
3. Remediation of environmental contamination, or
4. Payment under any workers compensation act.

Any loss from a liability arising from (1) through (4) above can be taken into account as a specified liability loss only if you used an accrual method of accounting throughout the period in which the act (or failure to act) occurred. For details, see section 172(f) of the Internal Revenue Code.

Waiving the 10-year carryback. You can choose to figure the carryback period for a specified liability loss without regard to the special 10-year carryback rule. To make this choice for 2008, attach to your 2008 income tax return filed by the due date (including extensions) a statement that you are choosing to treat any 2008 specified liability losses without regard to the special 10-year carryback rule. If you filed your original return on time, you can make this choice on an amended return filed within 6 months after the due date of the return (excluding extensions). Attach a statement to your amended return and write "Filed pursuant to section 301.9100-2" at the top of the statement. Once made, this choice is irrevocable.

Waiving the Carryback Period

You can choose not to carry back your NOL. If you make this choice, then you can use your NOL only in the 20-year carryforward period. (This choice means you also choose not to carry back any alternative tax NOL.)

To make this choice, attach a statement to your original return filed by the due date (including extensions) for the NOL year. This statement must show that you are choosing to waive the carryback period under section 172(b)(3) of the Internal Revenue Code.

If you filed your return timely but did not file the statement with it, you must file the statement with an amended return for the NOL year within 6 months of the due date of your original return (excluding extensions). Enter "Filed pursuant to section 301.9100-2" at the top of the statement.

Once you choose to waive the carryback period, it generally is irrevocable. However, there is an exception for ESB losses (discussed next). If you choose to waive the carryback period for more than one NOL, you must make a separate choice and attach a separate statement for each NOL year.

CAUTION *If you do not file this statement on time, you cannot waive the carryback period.*

Revoking an election to waive the carryback period. If you previously chose under section 172(b)(3) to waive the carryback period for your 2008 NOL arising in a tax year ending before

February 17, 2009, and you now want to choose a 3, 4, or 5-year carryback period for an ESB loss, you can revoke your choice by filing Form 1045 or an amended return (using Form 1040X or Form 1041) for the earliest tax year to which you are carrying back your 2008 NOL. The Form 1045 or amended return must be filed by April 17, 2009. Enter "2008 NOL Carryback Election and Revocation of NOL Carryback Waiver Pursuant to Rev. Proc. 2009-19" across the top of the Form 1045 or amended return.

How To Carry an NOL Back or Forward

If you choose to carry back the NOL, you must first carry the entire NOL to the earliest carryback year. If your NOL is not used up, you can carry the rest to the next earliest carryback year, and so on.

If you do not use up the NOL in the carryback years, carry forward what remains of it to the 20 tax years following the NOL year. Start by carrying it to the first tax year after the NOL year. If you do not use it up, carry the unused part to the next year. Continue to carry any unused part of the NOL forward until the NOL is used up or you complete the 20-year carryforward period.

Example 1. You started your business as a sole proprietor in 2008 and had a $42,000 NOL for the year. No part of the NOL qualifies for the 3-year, 5-year, or 10-year carryback (and you did not choose a 3, 4, or 5-year carryback period for any ESB losses). You begin using your NOL in 2006, the second year before the NOL year, as shown in the following chart.

Year	Carryback/ Carryover	Unused Loss
2006	$42,000	$40,000
2007	40,000	37,000
2008 (NOL year)		
2009	37,000	31,500
2010	31,500	22,500
2011	22,500	12,700
2012	12,700	4,000
2013	4,000	-0-

If your loss were larger, you could carry it forward until the year 2028. If you still had an unused 2008 carryforward after the year 2028, you could not deduct it.

Example 2. Assume the same facts as in Example 1, except that $4,000 of the NOL is attributable to a casualty loss and this loss qualifies for a 3-year carryback period. You begin using the $4,000 in 2005. As shown in the following chart, $3,000 of this NOL is used in 2005. The remaining $1,000 is carried to 2006 with the $38,000 NOL that you must begin using in 2006.

Year	Carryback/ Carryover	Unused Loss
2005	$4,000	$1,000
2006	39,000	37,000
2007	37,000	34,000
2008 (NOL year)		
2009	34,000	28,500
2010	28,500	19,500
2011	19,500	9,700
2012	9,700	1,000
2013	1,000	-0-

How To Claim an NOL Deduction

If you have not already carried the NOL to an earlier year, your NOL deduction is the total NOL. If you carried the NOL to an earlier year, your NOL deduction is the NOL minus the amount you used in the earlier year or years.

If you carry more than one NOL to the same year, your NOL deduction is the total of these carrybacks and carryovers.

NOL more than taxable income. If your NOL is more than the taxable income of the year you carry it to (figured before deducting the NOL), you generally will have an NOL carryover to the next year. See *How To Figure an NOL Carryover*, later, to determine how much NOL you have used and how much you carry to the next year.

Deducting a Carryback

If you carry back your NOL, you can use either Form 1045 or Form 1040X. You can get your refund faster by using Form 1045, but you have a shorter time to file it. You can use Form 1045 to apply an NOL to all carryback years. If you use Form 1040X, you must use a separate Form 1040X for each carryback year to which you apply the NOL.

Estates and trusts not filing Form 1045 must file an amended Form 1041 (instead of Form 1040X) for each carryback year to which NOLs are applied. Use a copy of the appropriate year's Form 1041, check the Amended return box, and follow the Form 1041 instructions for amended returns. Include the NOL deduction with other deductions not subject to the 2% limit (line 15a). Also, see the special procedures for filing an amended return due to an NOL carryback, explained under *Form 1040X*, later.

Form 1045. You can apply for a quick refund by filing Form 1045. This form results in a tentative adjustment of tax in the carryback year. See the Form 1045 illustrated at the end of this discussion.

If the IRS refunds or credits an amount to you from Form 1045 and later determines that the refund or credit is too much, the IRS may assess and collect the excess immediately.

Generally, you must file Form 1045 on or after the date you file your tax return for the NOL year, but not later than one year after the end of the NOL year. If the last day of the NOL year falls on a Saturday, Sunday, or holiday, the form will be considered timely if postmarked on the next business day. For example, if you are a calendar year taxpayer with a carryback from 2008 to 2006, you must file Form 1045 on or after the date you file your tax return for 2008, but no later than December 31, 2009.

Exception. If you have an ESB loss arising in a tax year ending before February 17, 2009, and you are filing Form 1045 to elect a 3, 4, or 5-year carryback period, you must file Form 1045 by the later of the regular due date (discussed above) **or** April 17, 2009.

Form 1040X. If you do not file Form 1045, you can file Form 1040X to get a refund of tax because of an NOL carryback. File Form 1040X within 3 years after the due date, including extensions, for filing the return for the NOL year. For example, if you are a calendar year taxpayer and filed your 2005 return by the April 15, 2006, due date, you must file a claim for refund of 2003 tax because of an NOL carryback from 2005 by April 15, 2009.

Attach a computation of your NOL using Schedule A (Form 1045) and, if it applies, your NOL carryover using Schedule B (Form 1045), discussed later.

Refiguring your tax. To refigure your total tax liability for a carryback year, first refigure your adjusted gross income for that year. (On Form 1045, use lines 10 and 11 and the "After carryback" column for the applicable carryback year.) Use your adjusted gross income after applying the NOL deduction to refigure income or deduction items that are based on, or limited to, a percentage of your adjusted gross income. Refigure the following items.

1. The special allowance for passive activity losses from rental real estate activities.
2. Taxable social security and tier 1 railroad retirement benefits.
3. IRA deductions.
4. Excludable savings bond interest.
5. Excludable employer-provided adoption benefits.
6. The student loan interest deduction.
7. The tuition and fees deduction.

If more than one of these items apply, refigure them in the order listed above, using your adjusted gross income after applying the NOL deduction and any previous item. (Enter your NOL deduction on Form 1045, line 10. On line 11, using the "After carryback" column, enter your adjusted gross income refigured after applying the NOL deduction and after refiguring any above items.)

Next, refigure your taxable income. (On Form 1045, use lines 12 through 15 and the "After carryback" column.) Use your refigured adjusted gross income (Form 1045, line 11, using the "After carryback" column) to refigure certain deductions and other items that are based on or limited to a percentage of your adjusted gross income. Refigure the following items.

- The itemized deduction for medical expenses.
- The itemized deduction for qualified mortgage insurance premiums.

- The itemized deduction for casualty losses.
- Miscellaneous itemized deductions subject to the 2% limit.
- The overall limit on itemized deductions.
- The phaseout of the deduction for exemptions.

CAUTION *Do not refigure the itemized deduction for charitable contributions.*

Finally, use your refigured taxable income (Form 1045, line 15, using the "After carryback" column) to refigure your total tax liability. Refigure your income tax, your alternative minimum tax, and any credits that are based on, or limited to, the amount of tax. (On Form 1045, use lines 16 through 25, and the "After carryback" column.) The earned income credit, for example, may be affected by changes to adjusted gross income or the amount of tax (or both) and, therefore, must be recomputed. If you become eligible for a credit because of the carryback, complete the form for that specific credit (such as the EIC Worksheet) for that year.

While it is necessary to refigure your income tax, alternative minimum tax, and credits, do not refigure your self-employment tax.

Deducting a Carryforward

If you carry forward your NOL to a tax year after the NOL year, list your NOL deduction as a negative figure on the Other income line of Form 1040 or Form 1040NR (line 21 for 2008). Estates and trusts include an NOL deduction on Form 1041 with other deductions not subject to the 2% limit (line 15a for 2008).

You must attach a statement that shows all the important facts about the NOL. Your statement should include a computation showing how you figured the NOL deduction. If you deduct more than one NOL in the same year, your statement must cover each of them.

Change in Marital Status

If you and your spouse were not married to each other in all years involved in figuring NOL carrybacks and carryovers, only the spouse who had the loss can take the NOL deduction. If you file a joint return, the NOL deduction is limited to the income of that spouse.

For example, if your marital status changes because of death or divorce, and in a later year you have an NOL, you can carry back that loss only to the part of the income reported on the joint return (filed with your former spouse) that was related to your taxable income. After you deduct the NOL in the carryback year, the joint rates apply to the resulting taxable income.

Refund limit. If you are not married in the NOL year (or are married to a different spouse), and in the carryback year you were married and filed a joint return, your refund for the overpaid joint tax may be limited. You can claim a refund for the difference between your share of the refigured tax and your contribution toward the tax paid on the joint return. The refund cannot be more than the joint overpayment. Attach a statement showing how you figured your refund.

Figuring your share of a joint tax liability. There are five steps for figuring your share of the refigured joint tax liability.

1. Figure your total tax as though you had filed as married filing separately.
2. Figure your spouse's total tax as though your spouse had also filed as married filing separately.
3. Add the amounts in (1) and (2).
4. Divide the amount in (1) by the amount in (3).
5. Multiply the refigured tax on your joint return by the amount figured in (4). This is your share of the joint tax liability.

Figuring your contribution toward tax paid. Unless you have an agreement or clear evidence of each spouse's contributions toward the payment of the joint tax liability, figure your contribution by adding the tax withheld on your wages and your share of joint estimated tax payments or tax paid with the return. If the original return for the carryback year resulted in an overpayment, reduce your contribution by your share of the tax refund. Figure your share of a joint payment or refund by the same method used in figuring your share of the joint tax liability. Use your taxable income as originally reported on the joint return in steps (1) and (2) above, and substitute the joint payment or refund for the refigured joint tax in step (5).

Change in Filing Status

If you and your spouse were married and filed a joint return for each year involved in figuring NOL carrybacks and carryovers, figure the NOL deduction on a joint return as you would for an individual. However, treat the NOL deduction as a joint NOL.

If you and your spouse were married and filed separate returns for each year involved in figuring NOL carrybacks and carryovers, the spouse who sustained the loss may take the NOL deduction on a separate return.

Special rules apply for figuring the NOL carrybacks and carryovers of married people whose filing status changes for any tax year involved in figuring an NOL carryback or carryover.

Separate to joint return. If you and your spouse file a joint return for a carryback or carryforward year, and were married but filed separate returns for any of the tax years involved in figuring the NOL carryback or carryover, treat the separate carryback or carryover as a joint carryback or carryover.

Joint to separate returns. If you and your spouse file separate returns for a carryback or carryforward year, but filed a joint return for any or all of the tax years involved in figuring the NOL carryover, figure each of your carryovers separately.

Joint return in NOL year. Figure each spouse's share of the joint NOL through the following steps.

1. Figure each spouse's NOL as if he or she filed a separate return. See *How To Figure an NOL*, earlier. If only one spouse has an NOL, stop here. All of the joint NOL is that spouse's NOL.
2. If both spouses have an NOL, multiply the joint NOL by a fraction, the numerator of which is spouse A's NOL figured in (1) and the denominator of which is the total of the spouses' NOLs figured in (1). The result is spouse A's share of the joint NOL. The rest of the joint NOL is spouse B's share.

Example 1. Mark and Nancy are married and file a joint return for 2008. They have an NOL of $5,000. They carry the NOL back to 2006, a year in which Mark and Nancy filed separate returns. Figured separately, Nancy's 2008 deductions were more than her income, and Mark's income was more than his deductions. Mark does not have any NOL to carry back. Nancy can carry back the entire $5,000 NOL to her 2006 separate return.

Example 2. Assume the same facts as in Example 1, except that both Mark and Nancy had deductions in 2008 that were more than their income. Figured separately, his NOL is $1,800 and hers is $3,000. The sum of their separate NOLs ($4,800) is less than their $5,000 joint NOL because his deductions included a $200 net capital loss that is not allowed in figuring his separate NOL. The loss is allowed in figuring their joint NOL because it was offset by Nancy's capital gains. Mark's share of their $5,000 joint NOL is $1,875 ($5,000 × $1,800/$4,800) and Nancy's is $3,125 ($5,000 − $1,875).

Joint return in previous carryback or carryforward year. If only one spouse had an NOL deduction on the previous year's joint return, all of the joint carryover is that spouse's carryover. If both spouses had an NOL deduction (including separate carryovers of a joint NOL, figured as explained in the previous discussion), figure each spouse's share of the joint carryover through the following steps.

1. Figure each spouse's modified taxable income as if he or she filed a separate return. See *Modified taxable income* under *How To Figure an NOL Carryover*, later.
2. Multiply the joint modified taxable income you used to figure the joint carryover by a fraction, the numerator of which is spouse A's modified taxable income figured in (1) and the denominator of which is the total of the spouses' modified taxable incomes figured in (1). This is spouse A's share of the joint modified taxable income.
3. Subtract the amount figured in (2) from the joint modified taxable income. This is spouse B's share of the joint modified taxable income.
4. Reduce the amount figured in (3), but not below zero, by spouse B's NOL deduction.
5. Add the amounts figured in (2) and (4).
6. Subtract the amount figured in (5) from spouse A's NOL deduction. This is spouse A's share of the joint carryover. The rest of the joint carryover is spouse B's share.

Example. Sam and Wanda filed a joint return for 2006 and separate returns for 2007 and 2008. In 2008, Sam had an NOL of $18,000 and Wanda had an NOL of $2,000. They choose to carry back both NOLs 2 years to their 2006 joint return and claim a $20,000 NOL deduction.

Their joint modified taxable income (MTI) for 2006 is $15,000, and their joint NOL carryover to 2007 is $5,000 ($20,000 − $15,000). Sam and Wanda each figure their separate MTI for 2006 as if they had filed separate returns. Then they figure their shares of the $5,000 carryover as follows.

Step 1.	
Sam's separate MTI	$9,000
Wanda's separate MTI	+ 3,000
Total MTI	$12,000
Step 2.	
Joint MTI	$15,000
Sam's MTI ÷ total MTI ($9,000 ÷ $12,000)	× .75
Sam's share of joint MTI	$11,250
Step 3.	
Joint MTI	$15,000
Sam's share of joint MTI	− 11,250
Wanda's share of joint MTI	$3,750
Step 4.	
Wanda's share of joint MTI	$3,750
Wanda's NOL deduction	− 2,000
Wanda's remaining share	$1,750
Step 5.	
Sam's share of joint MTI	$11,250
Wanda's remaining share	+ 1,750
Joint MTI to be offset	$13,000
Step 6.	
Sam's NOL deduction	$18,000
Joint MTI to be offset	− 13,000
Sam's carryover to 2007	$5,000
Joint carryover to 2007	$5,000
Sam's carryover	− 5,000
Wanda's carryover to 2007	$-0-

Wanda's $2,000 NOL deduction offsets $2,000 of her $3,750 share of the joint modified taxable income and is completely used up. She has no carryover to 2007. Sam's $18,000 NOL deduction offsets all of his $11,250 share of joint modified taxable income and the remaining $1,750 of Wanda's share. His carryover to 2007 is $5,000.

Illustrated Form 1045

The following example illustrates how to use Form 1045 to claim an NOL deduction in a carryback year. It includes a filled-in page 1 of Form 1045.

Example. Martha Sanders is a self-employed contractor. Martha's 2008 deductions are more than her 2008 income because of a business loss. She uses Form 1045 to carry back her NOL 2 years and claim an NOL deduction in 2006. (Martha does not choose a 3, 4, or 5-year carryback period for her 2008 NOL under the rule for ESB losses.) Her filing status in both years was single. See the filled-in Form 1045 on page 12.

Martha figures her 2008 NOL on Schedule A, Form 1045 (not shown). (For an example using Schedule A, see *Illustrated Schedule A (Form 1045)* under *How To Figure an NOL*, earlier.) She enters the $10,000 NOL from Schedule A, line 25, on Form 1045, line 1a.

Martha completes lines 10 through 25, using the "Before carryback" column under the column for the second preceding tax year ended 12/31/06 on page 1 of Form 1045 using the following amounts from her 2006 return.

2006 Adjusted gross income		$50,000
Itemized deductions:		
Medical expenses [$6,000 − ($50,000 × 7.5%)]	$2,250	
State income tax	+ 2,000	
Real estate tax	+ 4,000	
Home mortgage interest	+ 5,000	
Total itemized deductions		$13,250
Exemption		$3,300
Income tax		$4,926
Self-employment tax		$6,120

Martha refigures her taxable income for 2006 after carrying back her 2008 NOL as follows:

2006 Adjusted gross income		$50,000
Less:		
NOL from 2008		−10,000
2006 Adjusted gross income after carryback		$40,000
Less:		
Itemized deductions:		
Medical expenses [$6,000 − ($40,000 × 7.5%)]	$3,000	
State income tax	+ 2,000	
Real estate tax	+ 4,000	
Home mortgage interest	+ 5,000	
Total itemized deductions		−14,000
Less:		
Exemption		− 3,300
2006 Taxable income after carryback		$22,700

Martha then completes lines 10 through 25, using the "After carryback" column under the column for the second preceding tax year ended 12/31/06. On line 10, Martha enters her $10,000 NOL deduction. Her new adjusted gross income on line 11 is $40,000 ($50,000 − $10,000). To complete line 12, she must refigure her medical expense deduction using her new adjusted gross income. Her refigured medical expense deduction is $3,000 [$6,000 − ($40,000 × 7.5%)]. This increases her total itemized deductions to $14,000 [$13,250 + ($3,000 − $2,250)].

Martha uses her refigured taxable income ($22,700) from line 15, and the tax tables in her 2006 Form 1040 instructions to find her income tax. She enters the new amount, $3,031, on line 16, and her new total tax liability, $9,151, on line 25.

Martha used up her $10,000 NOL in 2006 so she does not complete a column for the first preceding tax year ended 12/31/2007. The decrease in tax because of her NOL deduction (line 27) is $1,895.

Martha files Form 1045 after filing her 2008 return, but no later than December 31, 2009. She mails it to the Internal Revenue Service Center for the place where she lives as shown in the 2008 instructions for Form 1040 and attaches a copy of her 2008 return (including the applicable forms and schedules).

Form **1045**

Department of the Treasury
Internal Revenue Service

Application for Tentative Refund

► See separate instructions.
► Do not attach to your income tax return—mail in a separate envelope.
► For use by individuals, estates, or trusts.

OMB No. 1545-0098

2008

Type or print

Name(s) shown on return: Martha Sanders	Social security or employer identification number: 123-00-4567
Number, street, and apt. or suite no. If a P.O. box, see page 4 of the instructions.: 9876 Holly Street	Spouse's social security number (SSN):
City, town or post office, state, and ZIP code. If a foreign address, see page 4 of the instructions.: Yardley, PA 19067	Daytime phone number (041) 123-4567

1 This application is filed to carry back: **a** Net operating loss (NOL) (Sch. A, line 25, page 2) $ 10,000 **b** Unused general business credit $ **c** Net section 1256 contracts loss $

2a For the calendar year 2008, or other tax year beginning , 2008, and ending , 20 **b** Date tax return was filed 3-5-2009

3 If this application is for an unused credit created by another carryback, enter year of first carryback ►

4 If you filed a joint return (or separate return) for some, but not all, of the tax years involved in figuring the carryback, list the years and specify whether joint (J) or separate (S) return for each ►

5 If SSN for carryback year is different from above, enter **a** SSN ► and **b** Year(s) ►

6 If you changed your accounting period, give date permission to change was granted ►

7 Have you filed a petition in Tax Court for the year(s) to which the carryback is to be applied? ☐ Yes ☑ No

8 Is any part of the decrease in tax due to a loss or credit from a tax shelter required to be registered? ☐ Yes ☑ No

9 If you are carrying back an NOL or net section 1256 contracts loss, did this cause the release of foreign tax credits or the release of other credits due to the release of the foreign tax credit (see page 4 of the instructions)? ☐ Yes ☑ No

Computation of Decrease in Tax (see page 4 of the instructions) **Note:** *If 1a and 1c are blank, skip lines 10 through 15.*	____ preceding tax year ended ►		2nd preceding tax year ended ► 12-31-06		1st preceding tax year ended ► 12-31-07	
	Before carryback	After carryback	Before carryback	After carryback	Before carryback	After carryback
10 NOL deduction after carryback (see page 4 of the instructions)				10,000		
11 Adjusted gross income			50,000	40,000		
12 Deductions (see page 6 of the instructions)			13,250	14,000		
13 Subtract line 12 from line 11			36,750	26,000		
14 Exemptions (see page 6 of the instructions)			3,300	3,300		
15 Taxable income. Line 13 minus line 14			33,450	22,700		
16 Income tax. See page 6 of the instructions and attach an explanation			4,926	3,031		
17 Alternative minimum tax						
18 Add lines 16 and 17			4,926	3,031		
19 General business credit (see page 7 of the instructions)						
20 Other credits. Identify						
21 Total credits. Add lines 19 and 20						
22 Subtract line 21 from line 18			4,926	3,031		
23 Self-employment tax			6,120	6,120		
24 Other taxes						
25 Total tax. Add lines 22 through 24			11,046	9,151		
26 Enter the amount from the "After carryback" column on line 25 for each year			9,151			
27 Decrease in tax. Line 25 minus line 26			1,895			
28 Overpayment of tax due to a claim of right adjustment under section 1341(b)(1) (attach computation)						

Sign Here

Under penalties of perjury, I declare that I have examined this application and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Keep a copy of this application for your records.

Your signature: Martha Sanders Date: 4-11-2009

Spouse's signature. If Form 1045 is filed jointly, **both** must sign. Date

Preparer Other Than Taxpayer Name ► Address ► Date

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 11 of the instructions. Cat. No. 10670A Form **1045** (2008)

How To Figure an NOL Carryover

If your NOL is more than your taxable income for the year to which you carry it (figured before deducting the NOL), you may have an NOL carryover. You must make certain modifications to your taxable income to determine how much NOL you will use up in that year and how much you can carry over to the next tax year. Your carryover is the excess of your NOL deduction over your modified taxable income for the carryback or carryforward year. If your NOL deduction includes more than one NOL, apply the NOLs against your modified taxable income in the same order in which you incurred them, starting with the earliest.

Modified taxable income. Your modified taxable income is your taxable income figured with the following changes.

1. You cannot claim an NOL deduction for the NOL carryover you are figuring or for any later NOL.
2. You cannot claim a deduction for capital losses in excess of your capital gains. Also, you must increase your taxable income by the amount of any section 1202 exclusion claimed on Schedule D (Form 1040).
3. You cannot claim the domestic production activities deduction.
4. You cannot claim a deduction for your exemptions for yourself, your spouse, or dependents.
5. You must figure any item affected by the amount of your adjusted gross income after making the changes in (1), (2), and (3), above, and certain other changes to your adjusted gross income that result from (1), (2), and (3). This includes income and deduction items used to figure adjusted gross income (for example, IRA deductions), as well as certain itemized deductions. To figure a charitable contribution deduction, do not include deductions for NOL carrybacks in the change in (1) but do include deductions for NOL carryforwards from tax years before the NOL year.

Your taxable income as modified cannot be less than zero.

Schedule B (Form 1045). You can use Schedule B (Form 1045) to figure your modified taxable income for carryback years and your carryover from each of those years. Do not use Schedule B for a carryforward year. If your 2008 return includes an NOL deduction from an NOL year before 2008 that reduced your taxable income to zero (to less than zero, if an estate or trust), see *NOL Carryover From 2008 to 2009*, later.

Illustrated Schedule B (Form 1045)

The following example illustrates how to figure an NOL carryover from a carryback year. It includes a filled-in Schedule B (Form 1045).

Example. Ida Brown runs a small clothing shop. In 2008, she has an NOL of $36,000 that she carries back to 2006. (Ida does not choose a 3, 4, or 5-year carryback period for her 2008 NOL under the rule for ESB losses.) She has no other carrybacks or carryovers to 2006.

Ida's adjusted gross income in 2006 was $35,000, consisting of her salary of $36,000 minus a $1,000 capital loss deduction. She is single and claimed only one personal exemption of $3,300. During that year, she gave $1,450 in charitable contributions. Her medical expenses were $3,000. She also deducted $1,650 in taxes and $3,125 in home mortgage interest.

Her deduction for charitable contributions was not limited because her contributions, $1,450, were less than 50% of her adjusted gross income. The deduction for medical expenses was limited to expenses over 7.5% of adjusted gross income ($.075 \times \$35,000 = \$2,625$; $\$3,000 - \$2,625 = \$375$). The deductions for taxes and home mortgage interest were not subject to any limits. She was able to claim $6,600 ($1,450 + $375 + $1,650 + $3,125) in itemized deductions for 2006. She had no other deductions in 2006. Her taxable income for the year was $25,100.

Ida's $36,000 carryback will reduce her 2006 taxable income to zero. She completes the column for the second preceding tax year ended 12/31/06 of Schedule B (Form 1045) to figure how much of her NOL she uses up in 2006 and how much she can carry over to 2007. See the illustrated Schedule B shown on pages 14 and 15. Ida does not complete the column for the first preceding tax year ended 12/31/07 because the $6,525 carryover to 2007 is completely used up that year. (See the information for line 9 below.)

Line 1. Ida enters $36,000, her 2008 net operating loss, on line 1.

Line 2. She enters $25,100, her 2006 taxable income, on line 2.

Line 3. Ida enters her net capital loss deduction of $1,000 on line 3.

Lines 4 and 5. Ida had no section 1202 exclusion or domestic production activities deduction in 2006. She enters zero on lines 4 and 5.

Line 6. Although Ida's entry on line 3 modifies her adjusted gross income, that does not affect any other items included in her adjusted gross income. Ida enters zero on line 6.

Line 7. Ida had itemized deductions and entered $1,000 on line 3, so she completes lines 11 through 38 to figure her adjustment to itemized deductions. On line 7, she enters the total adjustment from line 38.

Line 11. Ida's adjusted gross income for 2006 was $35,000.

Line 12. She adds lines 3 through 6 and enters $1,000 on line 12. (This is her net capital loss deduction added back, which modifies her adjusted gross income.)

Line 13. Her modified adjusted gross income for 2006 is now $36,000.

Line 14. On her 2006 tax return, she deducted $375 as medical expenses.

Line 15. Her actual medical expenses were $3,000.

Line 16. She multiplies her modified adjusted gross income, $36,000, by .075. She enters $2,700 on line 16.

Line 17. The difference between her actual medical expenses and the amount she is allowed to deduct is $300.

Line 18. The difference between her medical deduction and her modified medical deduction is $75. She enters this on line 18.

Lines 19 through 21. Ida had no deduction for qualified mortgage insurance premiums in 2006. She skips lines 19 and 20 and enters zero on line 21.

Line 22. She enters her modified adjusted gross income of $36,000 on line 22.

Line 23. She had no other carrybacks to 2006 and enters zero on line 23.

Line 24. Her modified adjusted gross income remains $36,000.

Line 25. Her actual contributions for 2006 were $1,450, which she enters on line 25.

Line 26. She now refigures her charitable contributions based on her modified adjusted gross income. Her contributions are well below the 50% limit, so she enters $1,450 on line 26.

Line 27. The difference is zero.

Lines 28 through 37. Ida had no casualty losses or deductions for miscellaneous items in 2006. She skips lines 28 through 31 and lines 33 through 36. Ida enters zero on lines 32 and 37.

Line 38. She combines lines 18, 21, 27, 32, and 37 and enters $75 on line 38. She carries this figure to **line 7.**

Line 8. Ida enters the deduction for her personal exemption of $3,300 for 2006.

Line 9. After combining lines 2 through 8, Ida's modified taxable income is $29,475.

Line 10. Ida figures her carryover to 2007 by subtracting her modified taxable income (line 9) from her NOL deduction (line 1). She enters the $6,525 carryover on line 10. She also enters the $6,525 as her NOL deduction for 2007 on Form 1045, page 1, line 10, in the "After carryback" column under the column for the first preceding tax year ended 12/31/07. (For an illustrated example of page 1 of Form 1045, see *Illustrated Form 1045* under *How To Claim an NOL Deduction*, earlier.)

Schedule B—NOL Carryover (see page 8 of the instructions)

Complete one column before going to the next column. Start with the earliest carryback year.	2nd preceding tax year ended ▶ 12-31-06		____ preceding tax year ended ▶		____ preceding tax year ended ▶	
1 **NOL deduction** (see page 8 of the instructions). Enter as a positive number		36,000				
2 Taxable income before 2008 NOL carryback (see page 8 of the instructions). Estates and trusts, increase this amount by the sum of the charitable deduction and income distribution deduction	25,100					
3 Net capital loss deduction (see page 8 of the instructions)	1,000					
4 Section 1202 exclusion. Enter as a positive number	-0-					
5 Domestic production activities deduction	-0-					
6 Adjustment to adjusted gross income (see page 8 of the instructions) . .	-0-					
7 Adjustment to itemized deductions (see page 8 of the instructions) . .	75					
8 Individuals, enter deduction for exemptions (minus any amount on Form 8914, line 6, for 2006; line 2 for 2005). Estates and trusts, enter exemption amount	3,300					
9 Modified taxable income. Combine lines 2 through 8. If zero or less, enter -0-		29,475				
10 **NOL carryover** (see page 9 of the instructions). Subtract line 9 from line 1. If zero or less, enter -0-		6,525				
Adjustment to Itemized Deductions (Individuals Only) Complete lines 11 through 38 for the carryback year(s) for which you itemized deductions **only** if line 3, 4, or 5 above is more than zero.						
11 Adjusted gross income before 2008 NOL carryback	35,000					
12 Add lines 3 through 6 above . . .	1,000					
13 Modified adjusted gross income. Add lines 11 and 12	36,000					
14 Medical expenses from Sch. A (Form 1040), line 4 (or as previously adjusted)	375					
15 Medical expenses from Sch. A (Form 1040), line 1 (or as previously adjusted)	3,000					
16 Multiply line 13 by 7.5% (.075) . .	2,700					
17 Subtract line 16 from line 15. If zero or less, enter -0-	300					
18 Subtract line 17 from line 14 . . .		75				
19 Qualified mortgage insurance premiums from Sch. A (Form 1040), line 13 (or as previously adjusted) .						
20 Refigured qualified mortgage insurance premiums (see instructions)						
21 Subtract line 20 from line 19 . . .		-0-				

Form **1045** (2008)

Schedule B—NOL Carryover *(Continued)*

Complete one column before going to the next column. Start with the earliest carryback year.	2nd preceding tax year ended ▶ 12-31-06		___ preceding tax year ended ▶		___ preceding tax year ended ▶	
22 Modified adjusted gross income from line 13 on page 3	36,000					
23 Enter as a positive number any NOL carryback from a year before 2008 that was deducted to figure line 11 on page 3	-0-					
24 Add lines 22 and 23	36,000					
25 Charitable contributions from Sch. A (Form 1040), line 18 (line 19 for 2007), or Sch. A (Form 1040NR), line 7 (or as previously adjusted) . .	1,450					
26 Refigured charitable contributions (see page 9 of the instructions) . .	1,450					
27 Subtract line 26 from line 25 . . .		-0-				
28 Casualty and theft losses from Form 4684, line 18 (line 20 for 2005 and 2006) (or as previously adjusted)						
29 Casualty and theft losses from Form 4684, line 16 (line 18 for 2005 and 2006) (or as previously adjusted)						
30 Multiply line 22 by 10% (.10) . . .						
31 Subtract line 30 from line 29. If zero or less, enter -0-						
32 Subtract line 31 from line 28 . . .		-0-				
33 Miscellaneous itemized deductions from Sch. A (Form 1040), line 26 (line 27 for 2007), or Sch. A (Form 1040NR), line 15 (or as previously adjusted)						
34 Miscellaneous itemized deductions from Sch. A (Form 1040), line 23 (line 24 for 2007), or Sch. A (Form 1040NR), line 12 (or as previously adjusted)						
35 Multiply line 22 by 2% (.02) . . .						
36 Subtract line 35 from line 34. If zero or less, enter -0-						
37 Subtract line 36 from line 33 . . .		-0-				
38 Complete the worksheet on page 10 of the instructions if line 22 is **more than** the applicable amount shown below (more than one-half that amount if married filing separately for that year). • $124,500 for 1998. • $126,600 for 1999. • $128,950 for 2000. • $132,950 for 2001. • $137,300 for 2002. • $139,500 for 2003. • $142,700 for 2004. • $145,950 for 2005. • $150,500 for 2006. • $156,400 for 2007. Otherwise, combine lines 18, 21, 27, 32, and 37; enter the result here and on line 7 (page 3)		75				

NOL Carryover From 2008 to 2009

If you had an NOL deduction carried forward from a year prior to 2008 that reduced your taxable income on your 2008 return to zero (to less than zero, if an estate or trust), complete Table 1, Worksheet for NOL Carryover From 2008 to 2009. It will help you figure your NOL to carry to 2009. Keep the worksheet for your records.

Worksheet Instructions

At the top of the worksheet, enter the NOL year for which you are figuring the carryover.

More than one NOL. If your 2008 NOL deduction includes amounts for more than one loss year, complete this worksheet only for one loss year. To determine which year, start with your earliest NOL and subtract each NOL separately from your taxable income figured without the NOL deduction. Complete this worksheet for the earliest NOL that reduces your taxable income below zero. Your NOL carryover to 2009 is the total of the amount on line 10 of the worksheet and all later NOL amounts.

Example. Your taxable income for 2008 is \$4,000 without your \$9,000 NOL deduction. Your NOL deduction includes a \$2,000 carryover from 2006 and a \$7,000 carryover from 2007. Subtract your 2006 NOL of \$2,000 from \$4,000. This gives you taxable income of \$2,000. Your 2006 NOL is now completely used up. Subtract your \$7,000 2007 NOL from \$2,000. This gives you taxable income of (\$5,000). You now complete the worksheet for your 2007 NOL. Your NOL carryover to 2009 is the unused part of your 2007 NOL from line 10 of the worksheet.

Line 2. Treat your NOL deduction for the NOL year entered at the top of the worksheet and later years as a positive amount. Add it to your negative taxable income. Enter the result on line 2.

Line 6. You must refigure the following income and deductions based on adjusted gross income.

1. The special allowance for passive activity losses from rental real estate activities.
2. Taxable social security and tier 1 railroad retirement benefits.
3. IRA deductions.
4. Excludable savings bond interest.
5. Excludable employer-provided adoption benefits.
6. The student loan interest deduction.
7. The tuition and fees deduction.

If none of these items apply to you, enter zero on line 6. Otherwise, increase your adjusted gross income by the total of lines 3 through 5 and your NOL deduction for the NOL year entered at the top of the worksheet and later years. Using this increased adjusted gross income, refigure the items that apply, in the order listed above. Your adjustment for each item is the difference between the refigured amount and the amount included on your return. Combine the adjustments for previous items with your adjusted gross income before refiguring the next item. Keep a record of your computations.

Enter your total adjustments for the above items on line 6.

Line 7. Enter zero if you claimed the standard deduction. Otherwise, use lines 11 through 47 of the worksheet to figure the amount to enter on this line. Complete only those sections that apply to you.

Estates and trusts. Enter zero on line 7 if you did not claim any miscellaneous deductions on Form 1041, line 15b, or a casualty or theft loss. Otherwise, refigure these deductions by substituting modified adjusted gross income (see below) for adjusted gross income. Subtract the recomputed deductions from those claimed on the return. Enter the result on line 7.

Modified adjusted gross income. To refigure miscellaneous itemized deductions of an estate or trust (Form 1041, line 15b), modified adjusted gross income is the total of the following amounts.

- The adjusted gross income on the return.
- The amounts from lines 3 through 5 of the worksheet.
- The exemption amount from Form 1041, line 20.
- The NOL deduction for the NOL year entered at the top of the worksheet and for later years.

To refigure the casualty and theft loss deduction of an estate or trust, modified adjusted gross income is the total of the following amounts.

- The adjusted gross income amount you used to figure the deduction claimed on the return.
- The amounts from lines 3 through 5 of the worksheet.
- The NOL deduction for the NOL year entered at the top of the worksheet and for later years.

Line 11. Treat your NOL deduction for the NOL year entered at the top of the worksheet and for later years as a positive amount. Add it to your adjusted gross income. Enter the result on line 11.

Line 20. Is your modified adjusted gross income from line 13 of this worksheet more than \$100,000 (\$50,000 if married filing separately)?

☐ **Yes.** Your deduction is limited. Refigure your deduction using the Qualified Mortgage Insurance Premiums Deduction Worksheet in the 2008 Instructions for Schedule A & B (Form 1040). On line 2 of the Qualified Mortgage Insurance Premiums Deduction Worksheet, enter the amount from line 13 of this worksheet.

☐ **No.** Your deduction is not limited. Enter the amount from line 19 on line 20 and enter -0- on line 21.

Line 23. If you had a contributions carryover from 2007 to 2008 and your NOL deduction includes an amount from an NOL year before 2007, you may have to reduce your contributions carryover. This reduction is any adjustment you made to your 2007 charitable contributions deduction when figuring your NOL carryover to 2008. Use the reduced contributions carryover to figure the amount to enter on line 23.

Table 1. Worksheet for NOL Carryover From 2008 to 2009 (For an NOL Year Before 2008)*

For Use by Individuals, Estates, and Trusts (Keep for your records.)
See the instructions under *NOL Carryover From 2008 to 2009.*

NOL YEAR: ___________

USE YOUR 2008 FORM 1040, FORM 1040NR (OR FORM 1041) TO COMPLETE THIS WORKSHEET:

1. Enter as a positive number your NOL deduction for the NOL year entered above from line 21 (Form 1040 or Form 1040NR) or line 15a (Form 1041)
2. Enter your taxable income without the NOL deduction for 2008 (see instructions)
3. Enter as a positive number any net capital loss deduction
4. Enter as a positive number any gain excluded on the sale or exchange of qualified small business stock
5. Enter the amount of any domestic production activities deduction
6. Enter any adjustments to your adjusted gross income (see instructions)
7. Enter any adjustments to your itemized deductions from line 35 or line 47 (see instructions)
8. Enter your deduction for exemptions from line 42 (Form 1040), line 39 (Form 1040NR), or line 20 (Form 1041).
9. **Modified taxable income.** Combine lines 2 through 8. Enter the result (but not less than zero)
10. **NOL carryover to 2009.** Subtract line 9 from line 1. Enter the result (but not less than zero) here and on the "other income" line of Form 1040 or Form 1040NR (or the line on Form 1041 for deductions NOT subject to the 2% floor) in 2009

ADJUSTMENTS TO ITEMIZED DEDUCTIONS (INDIVIDUALS ONLY):

11. Enter your adjusted gross income without the NOL deduction for the NOL year entered above or later years. (see instructions)
12. Combine lines 3, 4, 5, and 6 above
13. **Modified adjusted gross income.** Combine lines 11 and 12 above

ADJUSTMENT TO MEDICAL EXPENSES:

14. Enter your medical expenses from Schedule A (Form 1040), line 4
15. Enter your medical expenses from Schedule A (Form 1040), line 1
16. Multiply line 13 above by 7.5% (.075)
17. Subtract line 16 from line 15. Enter the result (but not less than zero).
18. Subtract line 17 from line 14

ADJUSTMENT TO QUALIFIED MORTGAGE INSURANCE PREMIUMS:

19. Enter your qualified mortgage insurance premiums deduction from Schedule A (Form 1040), line 13
20. Refigure your qualified mortgage insurance premiums deduction using line 13 as your adjusted gross income (see instructions)
21. Subtract line 20 from line 19

ADJUSTMENT TO CHARITABLE CONTRIBUTIONS:

22. Enter your charitable contributions deduction from Schedule A (Form 1040), line 19, or Schedule A (Form 1040NR), line 7
23. Refigure your charitable contributions deduction using line 13 above as your adjusted gross income. (see instructions)
24. Subtract line 23 from line 22

ADJUSTMENT TO CASUALTY AND THEFT LOSSES:

25. Enter your casualty and theft losses from Form 4684, line 23
26. Enter your casualty and theft losses from Form 4684, line 21
27. Multiply line 13 above by 10% (.10)
28. Subtract line 27 from line 26. Enter the result (but not less than zero)
29. Subtract line 28 from line 25

ADJUSTMENT TO MISCELLANEOUS DEDUCTIONS:

30. Enter your miscellaneous deductions from Schedule A (Form 1040), line 27, or Schedule A (Form 1040NR), line 15
31. Enter your miscellaneous deductions from Schedule A (Form 1040), line 24, or Schedule A (Form 1040NR), line 12
32. Multiply line 13 above by 2% (.02)
33. Subtract line 32 from line 31. Enter the result (but not less than zero)
34. Subtract line 33 from line 30

**Note:* *If you choose to waive the carryback period, and instead you choose to only carry your 2008 NOL forward, use Schedule A, Form 1045 to compute your 2008 NOL that will be carried over to 2009. Report your 2008 NOL from line 25, Schedule A, Form 1045, on the "other income" line of your 2009 Form 1040 or Form 1040NR, or the line on Form 1041 for deductions NOT subject to the 2% floor in 2009.*

Table 1. **(Continued)**

TENTATIVE TOTAL ADJUSTMENT:			
35.	Combine lines 18, 21, 24, 29, and 34, and enter the result here. If line 13 above is $159,950 or less ($79,975 or less if married filing separately), also enter the result on line 7 above and **stop here.** Otherwise, go to line 36		
ADJUSTMENT TO OVERALL ITEMIZED LIMIT:			
36.	Enter the amount from Schedule A (Form 1040), line 29, or Schedule A (Form 1040NR), line 17 .		
37.	Add lines 17, 20, 23, 28, and 33, and the amounts on Schedule A (Form 1040), lines 9, 10, 11, 12, 14, and 28, or the amounts from Schedule A (Form 1040NR), lines 3 and 16		
38.	Add lines 17 and 28, the amount on Schedule A (Form 1040), line 14, and any gambling and casualty or theft losses included on Schedule A (Form 1040), line 28, or Schedule A (Form 1040NR), line 16. Also include in the total any amount included on line 23 of this worksheet that you elected to treat as qualified contributions for relief efforts in a Midwestern disaster area		
39.	Subtract line 38 from line 37. If the result is zero, enter the amount from line 35 on line 7 above and **stop here.** Otherwise, go to line 40		
40.	Multiply line 39 by 80% (.80)		
41.	Subtract $159,950 ($79,975 if married filing separately) from the amount on line 13		
42.	Multiply line 41 by 3% (.03)		
43.	Enter the smaller of line 40 or line 42		
44.	Divide line 43 by 1.5		
45.	Subtract line 44 from line 43		
46.	Subtract line 45 from line 37. Enter the result (but not less than your standard deduction amount)		
47.	Subtract line 46 from line 36. Enter the result here and on line 7		

How To Get Tax Help

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Contacting your Taxpayer Advocate. The Taxpayer Advocate Service (TAS) is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should.

You can contact the TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059 to see if you are eligible for assistance. You can also call or write your local taxpayer advocate, whose phone number and address are listed in your local telephone directory and in Publication 1546, Taxpayer Advocate Service—Your Voice at the IRS. You can file Form 911, Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order), or ask an IRS employee to complete it on your behalf. For more information, go to *www.irs.gov/advocate*.

Low Income Taxpayer Clinics (LITCs). LITCs are independent organizations that provide low income taxpayers with representation in federal tax controversies with the IRS for free or for a nominal charge. The clinics also provide tax education and outreach for taxpayers who speak English as a second language. Publication 4134, Low Income Taxpayer Clinic List, provides information on clinics in your area. It is available at *www.irs.gov* or your local IRS office.

Free tax services. To find out what services are available, get Publication 910, IRS Guide to Free Tax Services. It contains lists of free tax information sources, including publications, services, and free tax education and assistance programs. It also has an index of over 100 TeleTax topics (recorded tax information) you can listen to on your telephone.

Accessible versions of IRS published products are available on request in a variety of alternative formats for people with disabilities.

Free help with your return. Free help in preparing your return is available nationwide from IRS-trained volunteers. The Volunteer Income Tax Assistance (VITA) program is designed to help low-income taxpayers and the Tax Counseling for the Elderly (TCE) program is designed to assist taxpayers age 60 and older with their tax returns. Many VITA sites offer free electronic filing and all volunteers will let you know about credits and deductions you may be entitled to claim. To find the nearest VITA or TCE site, call 1-800-829-1040.

As part of the TCE program, AARP offers the Tax-Aide counseling program. To find the nearest AARP Tax-Aide site, call 1-888-227-7669 or visit AARP's website at *www.aarp.org/money/taxaide*.

For more information on these programs, go to *www.irs.gov* and enter keyword “VITA” in the upper right-hand corner.

Internet. You can access the IRS website at *www.irs.gov* 24 hours a day, 7 days a week to:

- *E-file* your return. Find out about commercial tax preparation and *e-file* services available free to eligible taxpayers.
- Check the status of your 2008 refund. Go to *www.irs.gov* and click on *Where's My Refund*. Wait at least 72 hours after the IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after mailing a paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2008 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund.
- Download forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Figure your withholding allowances using the withholding calculator online at *www.irs.gov/individuals*.
- Determine if Form 6251 must be filed by using our Alternative Minimum Tax (AMT) Assistant.
- Sign up to receive local and national tax news by email.
- Get information on starting and operating a small business.

Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call 1-800-829-3676 to order current-year forms, instructions, and publications, and prior-year forms and instructions. You should receive your order within 10 days.
- *Asking tax questions.* Call the IRS with your tax questions at 1-800-829-1040.
- *Solving problems.* You can get face-to-face help solving tax problems every business day in IRS Taxpayer Assistance Centers. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to *www.irs.gov/localcontacts* or look in the phone book under *United States Government, Internal Revenue Service*.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call 1-800-829-4477 to listen to pre-recorded messages covering various tax topics.
- *Refund information.* To check the status of your 2008 refund, call 1-800-829-1954 during business hours or 1-800-829-4477 (automated refund information 24 hours a day, 7 days a week). Wait at least 72 hours after the IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after mailing a paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2008 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund. Refunds are sent out weekly on Fridays. If you check the status of your refund and are not given the date it will be issued, please wait until the next week before checking back.
- *Other refund information.* To check the status of a prior year refund or amended return refund, call 1-800-829-1954.

Evaluating the quality of our telephone services. To ensure IRS representatives give accurate, courteous, and professional answers, we use several methods to evaluate the quality of our telephone services. One method is for a second IRS representative to listen in on or record random telephone calls. Another is to ask some callers to complete a short survey at the end of the call.

Walk-in. Many products and services are available on a walk-in basis.

- *Products.* You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, grocery stores, copy centers, city and county government offices, credit unions, and office supply stores have a collection of products available to print from a CD or photocopy from reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.
- *Services.* You can walk in to your local Taxpayer Assistance Center every business day for personal, face-to-face tax help. An employee can explain IRS letters, request adjustments to your tax account, or help you set up a payment plan. If you need to resolve a tax problem, have questions about how the tax law applies to your individual tax return, or you are more comfortable talking with someone in person, visit your local Taxpayer Assistance Center where you can spread out your records and talk with an IRS representative face-to-face. No appointment is necessary—just walk in. If you prefer, you can call your local Center and leave a message requesting an appointment to resolve a tax account issue. A representative will call you back within 2 business days to schedule an in-person appointment at your convenience. If you have an ongoing, complex tax account problem or

a special need, such as a disability, an appointment can be requested. All other issues will be handled without an appointment. To find the number of your local office, go to *www.irs.gov/localcontacts* or look in the phone book under *United States Government, Internal Revenue Service*.

Mail. You can send your order for forms, instructions, and publications to the address below. You should receive a response within 10 days after your request is received.

Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61705-6613

DVD for tax products. You can order Publication 1796, IRS Tax Products DVD, and obtain:

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions.
- Tax Topics from the IRS telephone response system.
- Internal Revenue Code—Title 26 of the U.S. Code.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- Two releases during the year.
  – The first release will ship the beginning of January 2009.
  – The final release will ship the beginning of March 2009.

Purchase the DVD from National Technical Information Service (NTIS) at *www.irs.gov/cdorders* for $30 (no handling fee) or call 1-877-233-6767 toll free to buy the DVD for $30 (plus a $6 handling fee). The price is discounted to $25 for orders placed prior to December 1, 2008.

Small Business Resource Guide 2009. This online guide is a must for every small business owner or any taxpayer about to start a business. This year's guide includes:

- Helpful information, such as how to prepare a business plan, find financing for your business, and much more.
- All the business tax forms, instructions, and publications needed to successfully manage a business.
- Tax law changes for 2009.
- Tax Map: an electronic research tool and finding aid.
- Web links to various government agencies, business associations, and IRS organizations.
- "Rate the Product" survey—your opportunity to suggest changes for future editions.
- A site map of the guide to help you navigate the pages with ease.
- An interactive "Teens in Biz" module that gives practical tips for teens about starting their own business, creating a business plan, and filing taxes.

The information is updated during the year. Visit *www.irs.gov* and enter keyword "SBRG" in the upper right-hand corner for more information.

Index

To help us develop a more useful index, please let us know if you have ideas for index entries. See "Comments and Suggestions" in the "Introduction" for the ways you can reach us.

■

Form **1045**

Department of the Treasury
Internal Revenue Service

Application for Tentative Refund

► See separate instructions.
► Do not attach to your income tax return—mail in a separate envelope.
► For use by individuals, estates, or trusts.

OMB No. 1545-0098

2008

Type or print

Name(s) shown on return	**Social security or employer identification number**
Number, street, and apt. or suite no. If a P.O. box, see page 4 of the instructions.	**Spouse's social security number (SSN)**
City, town or post office, state, and ZIP code. If a foreign address, see page 4 of the instructions.	Daytime phone number ( )

1	This application is filed to carry back:	**a** Net operating loss (NOL) (Sch. A, line 25, page 2) $	**b** Unused general business credit $	**c** Net section 1256 contracts loss $
2a	For the calendar year 2008, or other tax year beginning , 2008, and ending , 20		**b** Date tax return was filed	

3 If this application is for an unused credit created by another carryback, enter year of first carryback ►

4 If you filed a joint return (or separate return) for some, but not all, of the tax years involved in figuring the carryback, list the years and specify whether joint (J) or separate (S) return for each ►

5 If SSN for carryback year is different from above, enter **a** SSN ► and **b** Year(s) ►

6 If you changed your accounting period, give date permission to change was granted ►

7 Have you filed a petition in Tax Court for the year(s) to which the carryback is to be applied? ☐ Yes ☐ No

8 Is any part of the decrease in tax due to a loss or credit from a tax shelter required to be registered? ☐ Yes ☐ No

9 If you are carrying back an NOL or net section 1256 contracts loss, did this cause the release of foreign tax credits or the release of other credits due to the release of the foreign tax credit (see page 4 of the instructions)? ☐ Yes ☐ No

Computation of Decrease in Tax (see page 4 of the instructions) **Note:** *If 1a and 1c are blank, skip lines 10 through 15.*	____ preceding tax year ended ►		____ preceding tax year ended ►		____ preceding tax year ended ►	
	Before carryback	After carryback	Before carryback	After carryback	Before carryback	After carryback
10 NOL deduction after carryback (see page 4 of the instructions)						
11 Adjusted gross income						
12 Deductions (see page 6 of the instructions)						
13 Subtract line 12 from line 11						
14 Exemptions (see page 6 of the instructions)						
15 Taxable income. Line 13 minus line 14						
16 Income tax. See page 6 of the instructions and attach an explanation						
17 Alternative minimum tax						
18 Add lines 16 and 17						
19 General business credit (see page 7 of the instructions)						
20 Other credits. Identify						
21 Total credits. Add lines 19 and 20						
22 Subtract line 21 from line 18						
23 Self-employment tax						
24 Other taxes						
25 Total tax. Add lines 22 through 24						
26 Enter the amount from the "After carryback" column on line 25 for each year						
27 Decrease in tax. Line 25 minus line 26						
28 Overpayment of tax due to a claim of right adjustment under section 1341(b)(1) (attach computation)						

Sign Here

Keep a copy of this application for your records.

Under penalties of perjury, I declare that I have examined this application and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Your signature	Date
Spouse's signature. If Form 1045 is filed jointly, **both** must sign.	Date

Preparer Other Than Taxpayer	Name ►	Date
	Address ►	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 11 of the instructions. Cat. No. 10670A Form 1045 (2008)

Schedule A—NOL (see page 7 of the instructions)

1	Enter the amount from your 2008 Form 1040, line 41, or Form 1040NR, line 38, minus any amount on Form 8914, line 2. Estates and trusts, enter taxable income increased by the total of the charitable deduction, income distribution deduction, and exemption amount			1
2	Nonbusiness capital losses before limitation. Enter as a positive number		2	
3	Nonbusiness capital gains (without regard to any section 1202 exclusion)		3	
4	If line 2 is more than line 3, enter the difference; otherwise, enter -0-		4	
5	If line 3 is more than line 2, enter the difference; otherwise, enter -0-	5		
6	Nonbusiness deductions (see page 7 of the instructions)		6	
7	Nonbusiness income other than capital gains (see page 8 of the instructions)	7		
8	Add lines 5 and 7		8	
9	If line 6 is more than line 8, enter the difference; otherwise, enter -0-			9
10	If line 8 is more than line 6, enter the difference; otherwise, enter -0-. **But do not enter more than line 5**	10		
11	Business capital losses before limitation. Enter as a positive number		11	
12	Business capital gains (without regard to any section 1202 exclusion)	12		
13	Add lines 10 and 12		13	
14	Subtract line 13 from line 11. If zero or less, enter -0-		14	
15	Add lines 4 and 14		15	
16	Enter the loss, if any, from line 16 of Schedule D (Form 1040). (Estates and trusts, enter the loss, if any, from line 15, column (3), of Schedule D (Form 1041).) Enter as a positive number. If you do not have a loss on that line (and do not have a section 1202 exclusion), skip lines 16 through 21 and enter on line 22 the amount from line 15		16	
17	Section 1202 exclusion. Enter as a positive number			17
18	Subtract line 17 from line 16. If zero or less, enter -0-		18	
19	Enter the loss, if any, from line 21 of Schedule D (Form 1040). (Estates and trusts, enter the loss, if any, from line 16 of Schedule D (Form 1041).) Enter as a positive number		19	
20	If line 18 is more than line 19, enter the difference; otherwise, enter -0-		20	
21	If line 19 is more than line 18, enter the difference; otherwise, enter -0-			21
22	Subtract line 20 from line 15. If zero or less, enter -0-			22
23	Domestic production activities deduction from Form 1040, line 35, or Form 1040NR, line 33 (or included on Form 1041, line 15a)			23
24	NOL deduction for losses from other years. Enter as a positive number			24
25	**NOL.** Combine lines 1, 9, 17, and 21 through 24. If the result is less than zero, enter it here and on page 1, line 1a. If the result is zero or more, you **do not** have an NOL			25

Schedule B—NOL Carryover (see page 8 of the instructions)

Complete one column before going to the next column. Start with the earliest carryback year.	_____ preceding tax year ended ▶		_____ preceding tax year ended ▶		_____ preceding tax year ended ▶	
1 **NOL deduction** (see page 8 of the instructions). Enter as a positive number						
2 Taxable income before 2008 NOL carryback (see page 8 of the instructions). Estates and trusts, increase this amount by the sum of the charitable deduction and income distribution deduction						
3 Net capital loss deduction (see page 8 of the instructions)						
4 Section 1202 exclusion. Enter as a positive number						
5 Domestic production activities deduction						
6 Adjustment to adjusted gross income (see page 8 of the instructions)						
7 Adjustment to itemized deductions (see page 8 of the instructions)						
8 Individuals, enter deduction for exemptions (minus any amount on Form 8914, line 6, for 2006; line 2 for 2005). Estates and trusts, enter exemption amount						
9 Modified taxable income. Combine lines 2 through 8. If zero or less, enter -0-						
10 **NOL carryover** (see page 9 of the instructions). Subtract line 9 from line 1. If zero or less, enter -0-						
Adjustment to Itemized Deductions (Individuals Only) Complete lines 11 through 38 for the carryback year(s) for which you itemized deductions **only** if line 3, 4, or 5 above is more than zero.						
11 Adjusted gross income before 2008 NOL carryback						
12 Add lines 3 through 6 above						
13 Modified adjusted gross income. Add lines 11 and 12						
14 Medical expenses from Sch. A (Form 1040), line 4 (or as previously adjusted)						
15 Medical expenses from Sch. A (Form 1040), line 1 (or as previously adjusted)						
16 Multiply line 13 by 7.5% (.075)						
17 Subtract line 16 from line 15. If zero or less, enter -0-						
18 Subtract line 17 from line 14						
19 Qualified mortgage insurance premiums from Sch. A (Form 1040), line 13 (or as previously adjusted)						
20 Refigured qualified mortgage insurance premiums (see instructions)						
21 Subtract line 20 from line 19						

Schedule B—NOL Carryover *(Continued)*

Complete one column before going to the next column. Start with the earliest carryback year.	____ preceding tax year ended ▶		____ preceding tax year ended ▶		____ preceding tax year ended ▶	
22 Modified adjusted gross income from line 13 on page 3						
23 Enter as a positive number any NOL carryback from a year before 2008 that was deducted to figure line 11 on page 3						
24 Add lines 22 and 23						
25 Charitable contributions from Sch. A (Form 1040), line 18 (line 19 for 2007), or Sch. A (Form 1040NR), line 7 (or as previously adjusted)						
26 Refigured charitable contributions (see page 9 of the instructions)						
27 Subtract line 26 from line 25						
28 Casualty and theft losses from Form 4684, line 18 (line 20 for 2005 and 2006) (or as previously adjusted)						
29 Casualty and theft losses from Form 4684, line 16 (line 18 for 2005 and 2006) (or as previously adjusted)						
30 Multiply line 22 by 10% (.10)						
31 Subtract line 30 from line 29. If zero or less, enter -0-						
32 Subtract line 31 from line 28						
33 Miscellaneous itemized deductions from Sch. A (Form 1040), line 26 (line 27 for 2007), or Sch. A (Form 1040NR), line 15 (or as previously adjusted)						
34 Miscellaneous itemized deductions from Sch. A (Form 1040), line 23 (line 24 for 2007), or Sch. A (Form 1040NR), line 12 (or as previously adjusted)						
35 Multiply line 22 by 2% (.02)						
36 Subtract line 35 from line 34. If zero or less, enter -0-						
37 Subtract line 36 from line 33						
38 Complete the worksheet on page 10 of the instructions if line 22 is **more than** the applicable amount shown below (more than one-half that amount if married filing separately for that year). • $124,500 for 1998. • $126,600 for 1999. • $128,950 for 2000. • $132,950 for 2001. • $137,300 for 2002. • $139,500 for 2003. • $142,700 for 2004. • $145,950 for 2005. • $150,500 for 2006. • $156,400 for 2007. Otherwise, combine lines 18, 21, 27, 32, and 37; enter the result here and on line 7 (page 3)						

Form **1040X** (Rev. February 2009)

Department of the Treasury—Internal Revenue Service

Amended U.S. Individual Income Tax Return

► See separate instructions.

OMB No. 1545-0074

SAMPLE

This return is for calendar year ► , or fiscal year ended ►

Please print or type

Your first name and initial	Last name		Your social security number
If a joint return, spouse's first name and initial	Last name		Spouse's social security number
Home address (no. and street) or P.O. box if mail is not delivered to your home		Apt. no.	Phone number ( )
City, town or post office, state, and ZIP code. If you have a foreign address, see page 4 of the instructions.			

A If the address shown above is different from that shown on your last return filed with the IRS, would you like us to change it in our records? . . . ► ☐ **Yes** ☐ **No**

B Filing status. Be sure to complete this line. **Note.** You cannot change from joint to separate returns after the due date.

On original return ► ☐ Single ☐ Married filing jointly ☐ Married filing separately ☐ Head of household ☐ Qualifying widow(er)

On this return ► ☐ Single ☐ Married filing jointly ☐ Married filing separately ☐ Head of household* ☐ Qualifying widow(er)

* If the qualifying person is a child but not your dependent, see page 4 of the instructions.

Use Part II on the back to explain any changes		**A. Original amount** or as previously adjusted (see page 4)	**B. Net change—** amount of increase or (decrease)— explain in Part II	**C. Correct amount**
Income and Deductions (see instructions)				
1 Adjusted gross income (see page 4)	**1**			
2 Itemized deductions or standard deduction (see page 4)	**2**			
3 Subtract line 2 from line 1	**3**			
4 Exemptions. If changing, fill in Parts I and II on the back (see page 5)	**4**			
5 Taxable income. Subtract line 4 from line 3	**5**			
Tax Liability				
6 Tax (see page 5). Method used in col. C ____	**6**			
7 Credits (see page 6)	**7**			
8 Subtract line 7 from line 6. Enter the result but not less than zero	**8**			
9 Other taxes (see page 6)	**9**			
10 Total tax. Add lines 8 and 9	**10**			
Payments				
11 Federal income tax withheld and excess social security and tier 1 RRTA tax withheld. If changing, see page 6	**11**			
12 Estimated tax payments, including amount applied from prior year's return	**12**			
13 Earned income credit (EIC)	**13**			
14 Additional child tax credit from Form 8812	**14**			
15 Credits: Recovery rebate; federal telephone excise tax; or from Forms 2439, 4136, 5405, 8885, or 8801 (refundable credit only)	**15**			
16 Amount paid with request for extension of time to file (see page 6)				**16**
17 Amount of tax paid with original return plus additional tax paid after it was filed				**17**
18 Total payments. Add lines 11 through 17 in column C				**18**

Refund or Amount You Owe

Note. Allow 8-12 weeks to process Form 1040X.

19 Overpayment, if any, as shown on original return or as previously adjusted by the IRS	**19**
20 Subtract line 19 from line 18 (see page 6)	**20**
21 **Amount you owe.** If line 10, column C, is more than line 20, enter the difference and see page 6	**21**
22 If line 10, column C, is less than line 20, enter the difference	**22**
23 Amount of line 22 you want **refunded to you**	**23**
24 Amount of line 22 you want **applied to your** **estimated tax** **24**	

Sign Here

Joint return? See page 4. Keep a copy for your records.

Under penalties of perjury, I declare that I have filed an original return and that I have examined this amended return, including accompanying schedules and statements, and to the best of my knowledge and belief, this amended return is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which the preparer has any knowledge.

► Your signature | Date | ► Spouse's signature. If a joint return, **both** must sign. | Date

Paid Preparer's Use Only

Preparer's signature ►	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code ►		EIN	
		Phone no. ( )	

For Paperwork Reduction Act Notice, see page 8 of instructions. Cat. No. 11360L Form 1040X (Rev. 2-2009)

Part I Exemptions. See Form 1040 or 1040A instructions.

Complete this part **only** if you are:

- Increasing or decreasing the number of exemptions claimed on line 6d of the return you are amending, or
- Increasing or decreasing the exemption amount for housing individuals displaced by Hurricane Katrina or for housing Midwestern displaced individuals.

		Line	A. Original number of exemptions reported or as previously adjusted	B. Net change	C. Correct number of exemptions
25	Yourself and spouse . . . . **Caution.** If someone can claim you as a dependent, you cannot claim an exemption for yourself.	25			
26	Your dependent children who lived with you	26			
27	Your dependent children who did not live with you due to divorce or separation	27			
28	Other dependents	28			
29	Total number of exemptions. Add lines 25 through 28	29			
30	Multiply the number of exemptions claimed on line 29 by the amount listed below for the tax year you are amending. Enter the result here.	30			
31	If you are claiming an exemption amount for housing individuals displaced by Hurricane Katrina, enter the amount from Form 8914, line 2 for 2005 or line 6 for 2006. If you are claiming an exemption amount for housing Midwestern displaced individuals, enter the amount from the 2008 Form 8914, line 2. (See instructions for line 4). Otherwise enter -0-	31			
32	Add lines 30 and 31. Enter the result here and on line 4	32			

Tax year	Exemption amount	But see the instructions for line 4 on page 5 if the amount on line 1 is over:
2008	$3,500	$119,975
2007	3,400	117,300
2006	3,300	112,875
2005	3,200	109,475

33 Dependents (children and other) not claimed on original (or adjusted) return:

(a) First name	Last name	(b) Dependent's social security number	(c) Dependent's relationship to you	(d) ✓ if qualifying child for child tax credit (see page 7)
				☐
				☐
				☐
				☐
				☐
				☐

No. of children on 33 who:
- lived with you . . ▶ ☐
- **did not** live with you due to divorce or separation (see page 7) . ▶ ☐

Dependents on 33 not entered above ▶ ☐

Part II Explanation of Changes

Enter the line number from the front of the form for each item you are changing and give the reason for each change. Attach only the supporting forms and schedules for the items changed. If you do not attach the required information, your Form 1040X may be returned. Be sure to include your name and social security number on any attachments.

If the change relates to a net operating loss carryback or a general business credit carryback, attach the schedule or form that shows the year in which the loss or credit occurred. See pages 2 and 3 of the instructions. Also, check here . . . ▶ ☐

Part III Presidential Election Campaign Fund. Checking below will not increase your tax or reduce your refund.

If you did not previously want $3 to go to the fund but now want to, check here . . . . ▶ ☐

If a joint return and your spouse did not previously want $3 to go to the fund but now wants to, check here . . . . ▶ ☐

Instructions for Form 1040X

Department of the Treasury
Internal Revenue Service

(Rev. February 2009)

Amended U.S. Individual Income Tax Return

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Purpose of Form

Use Form 1040X for the following reasons.

- Correct Forms 1040, 1040A, 1040EZ, 1040EZ-T, 1040NR, or 1040NR-EZ.
- Make certain elections after the prescribed deadline (see Regulations sections 301.9100-1 through -3 for details.
- Change amounts previously adjusted by the IRS. Do not include any interest or penalties on Form 1040X; they will be adjusted accordingly.
- Make a claim for a carryback due to a loss or unused credit. For more information, see pages 2 and 3.

File a separate Form 1040X for each year you are amending. If you are changing your federal return, you may also have to change your state return. Allow 8 to 12 weeks to process Form 1040X.

CAUTION *If you file a Form 1040X claiming a refund or credit for more than the allowable amount, you may be subject to a penalty of 20% of the amount that is determined to be excessive. See section 6676.*

Filing Form 1045. You can use Form 1045, Application for Tentative Refund, instead of Form 1040X to apply for a refund based on the carryback of a net operating loss, an unused general business credit, or a net section 1256 contracts loss; or an overpayment of tax due to a claim of right adjustment under section 1341(b)(1). But Form 1045 must be filed within 1 year after the end of the year in which the loss, credit, or claim of right adjustment arose. For more details, see the Instructions for Form 1045.

Filing Form 843. If you are requesting a refund of penalties and interest or an addition to tax that you have already paid, file Form 843, Claim for Refund and Request for Abatement, instead of Form 1040X.

Information on Income, Deductions, etc.

If you have questions such as what income is taxable or what expenses are deductible, the instructions for the return or form you are amending may help. Use the instructions for the return to find the method you should use to figure the corrected tax. To get prior year forms, schedules, and instructions, call 1-800-TAX-FORM (1-800-829-3676) or download them from the IRS website at *www.irs.gov*.

When To File

File Form 1040X only after you have filed your original return. Generally, for a credit or refund, Form 1040X must be filed within 3 years after the date you filed the original return or within 2 years after the date you paid the tax, whichever is later. A return filed early is considered filed on the due date.

CAUTION *Do not file more than one original return for the same year, even if you have not received your refund or have not heard from the IRS since you filed. Filing more than one original return for the same year, or sending in more than one copy of the same return (unless we ask you to do so), could delay your refund.*

Bad debt or worthless security. A Form 1040X based on a bad debt or worthless security generally must be filed within 7 years after the due date of the return for the tax year in which the debt or security became worthless. For more details, see section 6511.

Loss or credit carryback. A Form 1040X based on a net operating loss or capital loss carryback or a general business credit carryback generally must be filed within 3 years after the due date of the return (including extensions) for the tax year of the net operating loss, capital loss, or unused credit.

Reimbursement received for hurricane-related casualty loss. If you claimed a casualty loss on your main home resulting from Hurricanes Katrina, Rita, or Wilma, and later received a qualified grant as reimbursement for that loss, you can file an amended return for the year the casualty loss deduction was claimed (and for any tax year to which the deduction was carried) to reduce the casualty loss deduction (but not below zero) by the amount of the reimbursement. To qualify, your grant must have been issued under Public Law 109-148, 109-234, or 110-116. Examples of qualified grants are the Louisiana Road Home Grants and the Mississippi Development Authority Hurricane Katrina Homeowner Grants.

You must file Form 1040X by the **later** of the due date (as extended) for filing your tax return for the tax year in which you received the grant, or July 30, 2009. Enter "Hurricane Grant Relief" in dark, bold letters at the top of page 1 of Form 1040X. Include the following materials with your amended return.

1. Proof of the amount of any hurricane relief grant received.
2. A completed Form 2848, Power-of-Attorney and Declaration of Representative, if you wish to have your designated representative speak with us. (Do not include if a valid Form 2848 is on file with the IRS.)

CAUTION *Do not include on Form 1040X any adjustments other than the reduction of the casualty loss deduction if the period of limitations on assessment is closed for the tax year for those adjustments.*

Send your completed Form 1040X and attachments to:

Department of the Treasury
Internal Revenue Service Center
Austin, TX 73301-0255

Waiver of penalties and interest. If you pay the entire balance due on your amended return within 1 year of timely filing your amended return, no interest or penalties will be charged on the balance due. Payments made after you file Form 1040X should clearly designate that the payment is to be applied to reduce the balance due shown on the Form 1040X per IRS Notice 2008-95. For this purpose, any amended return filed under this program before July 30, 2009, will be treated as filed on July 30, 2009.

Cat. No. 11362H

Special rule for previously filed amended returns. In order to receive the benefits discussed above, you must notify the IRS if you previously filed an amended return based on receiving one of the above grants. For details, see Pub. 547, Casualties, Disasters, and Thefts; or Notice 2008-95, 2008-44 I.R.B. 1076, available at *www.irs.gov/irb/2008-44_IRB/ar09.html*.

Nontaxable combat pay. If you received nontaxable combat pay in 2004 or 2005, and the treatment of the combat pay as compensation for IRA purposes means that you can contribute more for those years than you already had, you can make additional contributions to an IRA for 2004 or 2005 by May 28, 2009. File Form 1040X by the latest of:

- 3 years from the date you filed your original return for the year for which you made the contribution,
- 2 years from the date you paid the tax for the year for which you made the contribution, or
- 1 year from the date on which you made the contribution.

Retroactive determination of nontaxable disability pay. Retired members of the uniformed services whose retirement pay, in whole or in part, is retroactively determined by the Department of Veterans Affairs to be disability pay can file claims for credits or refunds using Form 1040X. For such claims filed after June 17, 2008, the deadline is extended as follows.

- If your determination was made after June 16, 2008, you have until the **later** of (a) 1 year beyond the determination date, or (b) the normal deadline for filing a claim for refund or credit. The normal deadline is the later of 3 years after filing the original return or 2 years after paying the tax.
- If your determination was made after December 31, 2000, but before June 17, 2008, the period for filing a claim is extended until June 16, 2009.

To make these claims, you must file a separate Form 1040X for each year affected.

TIP *The time during which Form 1040X may be filed can be suspended for certain people who are physically or mentally unable to manage their financial affairs. For details, see Pub. 556, Examination of Returns, Appeal Rights, and Claims for Refund.*

Special Situations

First-time homebuyer credit. If you meet the requirements for the first-time homebuyer credit and purchased your qualifying home after December 31, 2008, and before December 1, 2009, you can choose to treat the home as purchased on December 31, 2008. To amend your return, file Form 1040X with a completed Form 5405, First-Time Homebuyer Credit, attached. The box on Form 5405, Part I, line C, must be checked.

Note. If you made this election before the February 2009 revision of Form 5405 was released, you can file Form 1040X with a new Form 5405 to claim the additional $500 credit for homes purchased in 2009.

Bonus depreciation for the Kansas Disaster Area. You can file an amended return to claim the Kansas additional first-year depreciation if you:

- Timely filed a tax return for your tax year that included May 5, 2007,
- Have not claimed the Kansas additional first-year depreciation, and
- Have not elected not to deduct the Kansas additional first-year depreciation.

File Form 1040X on or before December 31, 2009, for your tax year that includes May 5, 2007, and any affected subsequent tax year. Enter "Filed Pursuant to Notice 2008-67" at the top of page 1 of Form 1040X.

Qualified reservist distributions. Reservists called to active duty after September 11, 2001, can claim a refund of any 10% additional tax paid on an early distribution from a qualified pension plan.

To make this claim:

- You must have been ordered or called to active duty after September 11, 2001, for more than 179 days or for an indefinite period,
- The distribution must have been made on or after the date you were ordered or called to active duty and before the close of your active duty period, and
- The distribution must have been from an IRA, or from amounts attributable to elective deferrals under a section 401(k) or 403(b) plan or a similar arrangement.

Eligible reservists should enter "Active Duty Reservist" at the top of page 1 of Form 1040X. In Part II, enter the date called to active duty, the amount of the retirement distribution, and the amount of the early distribution tax paid. For more information on these distributions, see Pub. 590, Individual Retirement Arrangements (IRAs).

Federal telephone excise tax (2006 only). If you are filing Form 1040X only to claim a refund of the federal telephone excise tax, do the following.

1. Fill in the top portion of Form 1040X through line **B**.
2. On line 15, enter the amount being claimed in columns **B** and **C**, and write "FTET" on the dotted line next to line 15.
3. Enter "Federal Telephone Excise Tax" in Part II.
4. Sign the Form 1040X (both spouses must sign if filing jointly) and mail it to the address shown on page 3 that applies to you.

Note. If you are claiming the actual amount of the federal telephone excise tax you paid, you must also attach Form 8913, Credit for Federal Telephone Excise Tax Paid, to your Form 1040X.

Recovery rebate credit (2008 only). You can use Form 1040X to claim this credit if you did not claim it or if you did not claim the correct amount on your original 2008 Form 1040, 1040A, or 1040EZ. For information on how to claim the credit, see the 2008 instructions for the form you are amending.

Tax shelters. If amending your return to disclose information for a reportable transaction in which you participated, attach Form 8886, Reportable Transaction Disclosure Statement.

Household employment taxes. If you are changing these taxes, attach Schedule H (Form 1040) and enter in Part II of Form 1040X the date the error was discovered. For errors discovered after December 31, 2008, any additional employment taxes owed must be paid with this return. If you are changing the wages paid to an employee for whom you filed Form W-2, you must also file Form W-2c, Corrected Wage and Tax Statement, and Form W-3c, Transmittal of Corrected Wage and Tax Statements. For more information, see Pub. 926, Household Employer's Tax Guide.

Injured spouse claim. Do not use Form 1040X to file an injured spouse claim. Instead, file Form 8379, Injured Spouse Allocation. However, if you file Form 1040X to request an additional refund and you do not want your portion of the overpayment to be applied (offset) against your spouse's past-due obligation(s), complete and attach another Form 8379 to allocate the additional refund.

Carryback claim — net operating loss (NOL). Attach a computation of your NOL using Schedule A (Form 1045) and a computation of any NOL carryover using Schedule B (Form 1045). A refund based on an NOL should not include a refund of self-employment tax reported on Form 1040X, line 9. See Pub. 536, Net Operating Losses (NOLs) for

Individuals, Estates, and Trusts, for details. Enter "Carryback Claim" at the top of page 1 of Form 1040X.

Carryback claim—credits and other losses. You must attach copies of the following.

- Both pages of Form 1040 and Schedules A and D, if applicable, for the year in which the loss or credit originated. Enter "Attachment to Form 1040X—Copy Only—Do Not Process" at the top of these forms.
- Any Schedules K-1 you received from any partnership, S corporation, estate, or trust for the year of the loss or credit that contributed to the loss or credit carryback.
- Any form or schedule from which the carryback results, such as Form 3800, General Business Credit; Form 6781, Gains and Losses From Section 1256 Contracts and Straddles; Form 4684, Casualties and Thefts; or Schedule C or F (Form 1040).
- Forms or schedules for items refigured in the carryback year such as Form 6251, Alternative Minimum Tax—Individuals; Form 3800; or Schedule A (Form 1040).

Enter "Carryback Claim" at the top of page 1 of Form 1040X.

CAUTION *Your Form 1040X must have the appropriate forms and schedules attached or it will be returned.*

Note. If you were married and you did not have the same filing status (married filing jointly or married filing separately) for all of the years involved in figuring the loss or credit carryback, you may have to allocate income, deductions, and credits. For details, see the publication for the type of carryback you are claiming. For example, see Pub. 536 for a net operating loss or Pub. 514, Foreign Tax Credit for Individuals, for a foreign tax credit.

Resident and nonresident aliens. Use Form 1040X to amend Form 1040NR or Form 1040NR-EZ. Also, use Form 1040X if you should have filed Form 1040, 1040A, or 1040EZ instead of Form 1040NR or 1040NR-EZ, or vice versa. For details see, Pub. 519, U.S. Tax Guide for Aliens.

To amend Form 1040NR or 1040NR-EZ or to file the correct return, you must (a) fill in your name, address, and social security number (SSN) or IRS individual taxpayer identification number (ITIN) on Form 1040X; and (b) attach the corrected return (Form 1040, Form 1040NR, etc.) to Form 1040X.

Across the top of the corrected return, enter "Amended." Also, complete Part II of Form 1040X, including an explanation of the changes or corrections made.

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

Death of a taxpayer. If filing Form 1040X for a deceased taxpayer, enter "Deceased," the deceased taxpayer's name, and the date of death across the top of Form 1040X.

If you are filing a joint return as a surviving spouse, enter "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.

Claiming a refund for a deceased taxpayer. If you are filing a joint return as a surviving spouse, you only need to file Form 1040X to claim the refund. If you are a court-appointed personal representative or any other person claiming the refund, file Form 1040X and attach Form 1310, Statement of Person Claiming Refund Due a Deceased Taxpayer, and any other information required by its instructions. For more details, see Pub. 559, Survivors, Executors, and Administrators.

Where To File

Mail your return to the Internal Revenue Service Center shown in the next column that applies to you. If you are filing Form 1040X in response to a notice you received from the IRS, mail it to the address shown on the notice. If you are filing Form 1040X due to hurricane grant relief, mail it to the address shown on page 1.

IF you live in:*	THEN use this address:
Alabama, Florida, Georgia, North Carolina, South Carolina, Virginia	Department of the Treasury Internal Revenue Service Center Atlanta, GA 39901
Alaska, Arizona, California, Colorado, Hawaii, Idaho, Illinois, Iowa, Kansas, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington, Wisconsin, Wyoming	Department of the Treasury Internal Revenue Service Center Fresno, CA 93888-0422
District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, Vermont	Department of the Treasury Internal Revenue Service Center Andover, MA 05501-0422
Arkansas, Connecticut, Delaware, Indiana, Michigan, Missouri, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, West Virginia	Department of the Treasury Internal Revenue Service Center Kansas City, MO 64999
Kentucky, Louisiana, Mississippi, Tennessee, Texas	Department of the Treasury Internal Revenue Service Center Austin, TX 73301
Guam: Permanent residents—Department of Revenue and Taxation, Government of Guam, P.O. Box 23607, GMF, GU 96921	
Virgin Islands: Permanent residents—V.I. Bureau of Internal Revenue, 9601 Estate Thomas, Charlotte Amalie, St. Thomas, VI 00802	
American Samoa or Puerto Rico (or exclude income under section 933); are a nonpermanent resident of Guam or the Virgin Islands; have an APO or FPO or foreign address; are a dual-status alien; or file Form 2555, 2555-EZ, or 4563, use this address: Department of the Treasury, Internal Revenue Service Center, Austin, TX 73301-0215, USA	

* If Form 1040X includes a Form 1040NR or 1040NR-EZ, mail it to the Department of the Treasury, Internal Revenue Service Center, Austin, TX 73301-0215, USA.

Line Instructions

Calendar or Fiscal Year

Above your name, enter the calendar or fiscal year of the return you are amending.

Name, Address, and SSN

If you and your spouse are amending a joint return, list your names and SSNs in the same order as shown on the original return. If you are changing from a separate to a joint return and your spouse did not file an original return, enter your name and SSN first.

Foreign address. Enter the information in the following order: City, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

Line A

Changing your mailing address. If you check the “Yes” box or fail to check either box, we will change your address in our system to that shown on this Form 1040X. Any refund or correspondence will be sent to the new address. If you check the “No” box, we will retain the address currently in our system and any refund or correspondence will be sent to that address.

Line B

Changing from separate to a joint return. If you and your spouse are changing from separate returns to a joint return, follow these steps.

1. Enter in column A the amounts from your return as originally filed or as previously adjusted (either by you or the IRS).
2. Combine the amounts from your spouse's return as originally filed or as previously adjusted with any other changes you or your spouse are making to determine the amounts to enter in column B. If your spouse did not file an original return, include your spouse's income, deductions, credits, other taxes, etc., to determine the amounts to enter in column B.
3. Read the instructions for column C, on this page, to figure the amounts to enter in that column.
4. Both of you must sign Form 1040X.

Joint and several tax liability. If you file a joint return, both you and your spouse are generally responsible for the tax and any interest or penalties due on the return. This means that if one spouse does not pay the tax due, the other may have to. However, you may qualify for innocent spouse relief. For details, see Form 8857 or Pub. 971 (both relating to innocent spouse relief).

Changing to head of household filing status. If the qualifying person is a child but not your dependent, enter the child's name and “QND” in Part II of Form 1040X.

CAUTION *Generally, married people cannot file as head of household. But for an exception, see Pub. 501, Exemptions, Standard Deduction, and Filing Information.*

Lines 1 Through 33

TIP *If you are providing only additional information and not changing amounts you originally reported, skip lines 1–33 and complete Part II and, if applicable, Part III.*

For other changes to Form 1040X, start with:

- Line 1 if you are changing income or deductions.
- Line 6 if you are changing only credits or other taxes.
- Line 10 if you are changing only payments.

Columns A Through C

Column A. Enter the amounts from your original return. However, if you previously amended that return or it was changed by the IRS, enter the adjusted amounts.

Column B. Enter the net increase or decrease for each line you are changing.

Explain each change in Part II. If you need more space, attach a statement. Also, attach any schedule or form relating to the change. For example, attach Schedule A (Form 1040) if you are amending Form 1040 to itemize deductions. Do not attach items unless required to do so.

Column C. To figure the amounts to enter in this column:

- Add the increase in column B to the amount in column A, or
- Subtract the decrease in column B from the amount in column A.

For any item you do not change, enter the amount from column A in column C.

Note. Show any negative numbers (losses or decreases) in Columns A, B, or C in parentheses.

Example. Anna Arbor originally reported $21,000 as her adjusted gross income on her 2008 Form 1040A. She received another Form W-2 for $500 after she filed her return. She completes line 1 of Form 1040X as follows.

	Col. A	Col. B	Col. C
Line 1	$21,000	$500	$21,500

She would also report any additional federal income tax withheld on line 11 in column B.

Income and Deductions

Line 1

Enter your adjusted gross income (AGI). To find the corresponding line on the return you are amending, use the chart beginning on page 7 for the appropriate year.

A change you make to your AGI can cause other amounts to increase or decrease. For example, increasing your AGI can:

- Decrease your miscellaneous itemized deductions, the credit for child and dependent care expenses, the child tax credit, or education credits, or
- Increase your allowable charitable contributions deduction or the taxable amount of social security benefits.

Changing your AGI may also affect your total itemized deductions or your deduction for exemptions (see the instructions for line 4). Whenever you change your AGI, refigure these items, those listed above, and any other deduction or credit you are claiming that has a limit based on AGI.

Correcting your wages or other employee compensation. Attach a copy of all additional or corrected Forms W-2 you received after you filed your original return.

Changing your IRA deduction. In Part II of Form 1040X, enter “IRA deduction” and the amount of the increase or decrease. If changing from a deductible to a nondeductible IRA contribution, also complete and attach Form 8606, Nondeductible IRAs.

Line 2

Did you originally file using Form 1040EZ?

❑ **Yes.** See *Form 1040EZ Filers—Lines 2 and 4* on page 5 for the amount to enter on line 2, column A.

❑ **No.** Use the following chart to find the amount to enter on line 2, column A.

IF you are filing Form...	THEN enter on line 2, column A, the amount from Form...
1040	1040, line 40 for 2005–2008
1040A	1040A, line 24 for 2005–2008

Line 4

Did you originally file using Form 1040EZ?

❑ **Yes.** See *Form 1040EZ Filers—Lines 2 and 4* below for the amount to enter on line 4, column A.

❑ **No.** Use the following chart to find the amount to enter on line 4, column A.

IF you are filing Form...	THEN enter on line 4, column A, the amount from Form...
1040*	1040, line 42 for 2005–2008
1040A*	1040A, line 26 for 2005–2008

* If the amount in column C of line 1 is over $109,475, see *Who Must Use the Deduction for Exemptions Worksheet* on this page.

Form 1040EZ Filers—Lines 2 and 4

Did someone claim you as a dependent on his or her return? (On your 2005–2008 Form 1040EZ, one or both boxes on line 5 will be checked.)

❑ **Yes.** On Form 1040X, **line 2**, enter the amount from line E (line D for 2005) of the worksheet on the back of Form 1040EZ. On Form 1040X, **line 4**, enter -0- (or, if married filing jointly, the amount from line F (line E for 2005) of the 1040EZ worksheet).

❑ **No.** Use the chart below to find the amounts to enter on lines 2 and 4.

IF you are amending your...	AND your filing status is...	THEN enter on Form 1040X, line 2...	THEN enter on Form 1040X, line 4...
2008 return	Single Married filing jointly	$ 5,450 10,900	$3,500 7,000
2007 return	Single Married filing jointly	$ 5,350 10,700	$3,400 6,800
2006 return	Single Married filing jointly	$ 5,150 10,300	$3,300 6,600
2005 return	Single Married filing jointly	$ 5,000 10,000	$3,200 6,400

Changing the Number of Exemptions Claimed

If you are changing the number of exemptions for yourself, your spouse, or your dependents, complete Form 1040X, lines 25 to 30 (and line 33, if necessary) in Part I. Also complete line 32.

Note. Special instructions apply when completing Part I if you are claiming or changing a 2005 or 2006 exemption amount for housing individuals displaced by Hurricane Katrina or a 2008 exemption amount for housing Midwestern displaced individuals. If you are not changing the number of exemptions previously claimed, or if you are claiming or changing a Hurricane Katrina or Midwestern displaced individual exemption amount in addition to changing the number of exemptions previously claimed, see *Claiming or changing a Hurricane Katrina exemption amount* or *Claiming or changing an exemption amount for a Midwestern displaced individual* on page 7.

Who Must Use the Deduction for Exemptions Worksheet

Use the following chart to find out if you must use this worksheet to figure the amount to enter on line 4 and, if applicable, line 30. Use the Deductions for Exemptions Worksheet in the instructions for the form and year you are amending.

You must use the Deduction for Exemptions Worksheet if—

You are amending your:	And your filing status is:	And the amount in col. C of line 1 is over:
2008 return	Married filing separately	$119,975
	Married filing jointly or Qualifying widow(er)	239,950
	Single	159,950
	Head of household	199,950
2007 return	Married filing separately	$117,300
	Married filing jointly or Qualifying widow(er)	234,600
	Single	156,400
	Head of household	195,500
2006 return	Married filing separately	$112,875
	Married filing jointly or Qualifying widow(er)	225,750
	Single	150,500
	Head of household	188,150
2005 return	Married filing separately	$109,475
	Married filing jointly or Qualifying widow(er)	218,950
	Single	145,950
	Head of household	182,450

Line 5

If the taxable income on the return you are amending is $0 and you have made changes on Form 1040X, line 1, 2, or 4, enter on line 5 (column A) the actual taxable income instead of $0. Enclose a negative amount in parentheses.

Example. Margaret Coffey showed $0 taxable income on her original return, even though she actually had a loss of $1,000. She later discovered she had additional income of $2,000. Her Form 1040X, line 5, would show ($1,000) in column A, $2,000 in column B, and $1,000 in column C. If she failed to take into account the loss she actually had on her original return, she would report $2,000 in column C and possibly overstate her tax liability.

Tax Liability

Line 6

Enter your income tax before subtracting any credits. Figure the tax on the taxable income reported on line 5, column C. Attach the appropriate schedule or form(s) that you used to figure your tax. Do not attach worksheets. Include on line 6 any additional taxes from Form 4972, Tax on Lump-Sum Distributions; Form 8814, Parents' Election To Report Child's Interest and Dividends; and any recapture of education credits. Also include any alternative minimum tax from Form 6251, Alternative Minimum Tax—Individuals, or the Alternative Minimum Tax Worksheet in the Form 1040A instructions.

CAUTION *Any changes made to Form 1040X, lines 1 through 5, may affect or cause you to owe alternative minimum tax. See the instructions for the form and year you are amending.*

Indicate the method you used to figure the tax shown in column C. For example:

IF you used...	THEN enter on Form 1040X, line 6...
The Tax Table	Table
The Tax Computation Worksheet	TCW
Schedule D Tax Worksheet	Sch. D
Schedule J (Form 1040)	Sch. J
The Qualified Dividends and Capital Gain Tax Worksheet	QDCGTW
The Foreign Earned Income Tax Worksheet	FEITW

Line 7

Enter your total nonrefundable credits. Use the chart beginning on page 7 to find the correct lines to use on the form for the year you are amending.

Note. If you made any changes to Form 1040X, lines 1 through 6, be sure to refigure your credits before entering the amount in column C.

Line 9

Enter other taxes you paid. Use the chart beginning on page 7 to find the correct lines to use on the form for the year you are amending.

Note. If you made any changes to Form 1040X, lines 1 through 6, be sure to refigure any "other taxes" as necessary.

Payments

Use the chart beginning on page 7 to find the correct lines to use on the form for the year you are amending.

Line 11. If you are changing these amounts, attach to the front of Form 1040X a copy of all additional or corrected Forms W-2 or 1099-R you received after you filed your original return. Enter in column B any additional amounts shown on these forms as *Federal income tax withheld*.

Line 12. Enter the estimated tax payments you claimed on your original return. If you filed Form 1040-C, U.S. Departing Alien Income Tax Return, include the amount you paid as the balance due with that return.

Line 13. If you are amending your return to claim the earned income credit (EIC) and you have a qualifying child, attach Schedule EIC (Form 1040A or 1040).

CAUTION *If your EIC was reduced or disallowed for a tax year after 1996, see the Instructions for Form 8862, Information To Claim Earned Income Credit After Disallowance, to find out if you must also file that form to claim the credit.*

Line 14. If you are amending your return to claim the additional child tax credit, attach Form 8812.

Line 15. If you are amending your return to claim a refundable credit on this line, attach, if required:
- Form 2439 (Copy B), Notice to Shareholder of Undistributed Long-Term Capital Gains;
- Form 4136, Credit for Federal Tax Paid on Fuels;
- Form 5405, First-Time Homebuyer Credit;
- Form 8801 (if the credit claimed is refundable), Credit for Prior Year Minimum Tax—Individuals, Estates, and Trusts;
- Form 8885, Health Coverage Tax Credit; or
- Form 8913, Credit for Federal Telephone Excise Tax Paid.

Note. The following credits apply only to the specific years noted.
- The recovery rebate credit applies only to 2008.
- The federal telephone excise tax credit applies only to 2006.

Line 16. Enter any amount paid with Forms 4868 or 2350. Also include any amount paid with a credit card used to get an extension of time to file. But do not include the convenience fee you were charged. Also include any amount paid by electronic funds withdrawal.

Line 17. Enter the amount of tax you paid from the "Amount you owe" line on your original return. Also, include any additional tax payments made after it was filed. Do not include payments of interest or penalties.

Line 18. Include in the total on this line any payments shown on Form 8689, lines 40 and 44. Enter "USVI" and the amount on the dotted line.

Refund or Amount You Owe

Use the chart beginning on page 7 to find the correct lines to use on the form for the year you are amending.

Line 19

Enter the overpayment from your original return. You must enter that amount because any additional refund you claim on Form 1040X will be sent separately from any refund you have not yet received from your original return.

If your original return was changed by the IRS and the result was an additional overpayment of tax, also include that amount on line 19. Do not include interest you received on any refund.

Lines 20 and 21

If line 20 is negative, treat it as a positive amount and add it to the amount on line 10, column C. Enter the result on line 21. This is the amount you owe.

Send your signed Form 1040X with a check or money order for the full amount payable to the **"United States Treasury."** Do not send cash. On your payment, put your name, address, daytime phone number, and SSN. If you are filing a joint Form 1040X, enter the SSN shown first. Also, enter the tax year and type of return you are amending (for example, "2008 Form 1040"). We will figure any interest due and send you a bill.

To help process your payment, enter the amount on the right side of the check like this: $ XXX.XX. Do not use dashes or lines (for example, do not enter "$ XXX—" or "$ XXX $\frac{xx}{100}$").

What if you cannot pay. If you cannot pay the full amount shown on line 21, you can ask to make monthly installment payments. Generally, you can have up to 60 months to pay.

To ask for an installment agreement, you can apply online or use Form 9465, Installment Agreement Request. To apply online, go to *www.irs.gov,* use the pull down menu under "I need to..." and select "Set Up a Payment Plan." If you use Form 9465, see its instructions.

Note. If you elected to apply any part of an overpayment on your original return to your next year's estimated tax, you cannot reverse that election on your amended return.

Lines 23 and 24

The refund amount on line 23 will be sent separately from any refund you claimed on your original return (see the instructions for line 19). We will figure any interest and include it in your refund.

Enter on line 24 the amount, if any, from line 22 you want applied to your estimated tax for next year. Also, enter that tax year. No interest will be paid on this amount. You cannot change your election to apply part or all of the overpayment on line 22 to next year's estimated tax.

Paid Preparer

Generally, anyone you pay to prepare your return must sign it in the space provided. The preparer must give you a copy of the return for your records. Someone who prepares your return but does not charge you should not sign.

Exemptions (Part I)

Claiming or changing a Hurricane Katrina exemption amount. If you are claiming or changing a 2005 or 2006 exemption amount for housing individuals displaced by Hurricane Katrina and:

- You are not otherwise changing the number of exemptions previously claimed, **do not** complete Form 1040X, lines 25 to 30. Instead, complete lines 1 and 2 of the 2005 Form 8914 (or lines 1 through 6 of the 2006 Form 8914), showing only the individual(s) for whom the change is being made. Enter the amount from Form 8914, line 2 for 2005 (line 6 for 2006), in column B of Form 1040X, line 31. Complete line 32.
- You are also changing the number of exemptions previously claimed, complete Form 1040X, lines 25 to 30 (and line 33, if necessary). Then complete lines 1 and 2 of the 2005 Form 8914 (or lines 1 through 6 of the 2006 Form 8914), showing only the individual(s) for whom the change is being made. Enter the amount from Form 8914, line 2 for 2005 (line 6 for 2006), in column B of Form 1040X, line 31. Complete line 32.

Claiming or changing an exemption amount for a Midwestern displaced individual. If you are claiming or changing a 2008 exemption amount for housing Midwestern displaced individuals and:

- You are not otherwise changing the number of exemptions previously claimed, **do not** complete Form 1040X, lines 25 to 30. Instead, complete lines 1 and 2 of the 2008 Form 8914, showing only the individual(s) for whom the change is being made. Enter the amount from Form 8914, line 2, in column B of Form 1040X, line 31. Complete line 32.
- You are also changing the number of exemptions previously claimed, complete Form 1040X, lines 25 to 30 (and line 33, if necessary). Then complete lines 1 and 2 of the 2008 Form 8914, showing only the individual(s) for whom the change is being made. Enter the amount from Form 8914, line 2, in column B of Form 1040X, line 31. Complete line 32.

Line 30

You may have to use the Deduction for Exemptions Worksheet in the Form 1040 or Form 1040A instructions to figure the amount to enter on line 30. To find out if you do, see the instructions for line 4. If you do not have to use that worksheet, multiply the applicable dollar amount listed on line 30 by the number of exemptions on line 29.

Line 33

If you are adding more than six dependents, attach a statement with the required information.

Column (b). You must enter each dependent's social security number (SSN). If your dependent child was born and died in the tax year you are amending and you do not have an SSN for the child, enter "Died" in column (b), and attach a copy of the child's birth certificate, death certificate, or hospital medical records. The document must show the child was born alive.

Be sure the name and SSN entered agree with the dependent's social security card. Otherwise, at the time we process your return, we may disallow the exemption claimed for the dependent and reduce or disallow any other tax benefits (such as the child tax credit) based on that dependent.

Note. For details on how to get an SSN or correct a name or number, see the 2008 Form 1040 or Form 1040A instructions.

Column (d). Check the box in column (d) if your dependent is also a qualifying child for the child tax credit. See the Form 1040 or Form 1040A instructions for the year you are amending to find out who is a qualifying child.

Children who did not live with you due to divorce or separation. If you are claiming a child who did not live with you under the rules for children of divorced or separated parents, you must attach certain forms or statements to Form 1040X. For more information, see Pub. 501, Exemptions, Standard Deduction, and Filing Information, or the instructions for Form 1040 or Form 1040A for the tax year being amended.

Presidential Election Campaign Fund (Part III)

You can use Form 1040X to have $3 go to the fund if you (or your spouse on a joint return) did not do so on your original return. This must be done within 20½ months after the original due date for filing the return. For calendar year 2008, this period ends on January 3, 2011. A previous designation of $3 to the fund cannot be changed.

Charts

Use the chart for the year you are amending to find the corresponding lines on your return.

2008			
IF you are completing Form 1040X...	**THEN the corresponding line(s) on the 2008 Form...**		
	1040 is:	**1040A is:**	**1040EZ is:**
Line 1	37	21	4
Line 7	47–54	29–33	N/A
Line 9	57–60*	36	N/A
Lines 11–16	62–70	38–42**	7–9***
Line 19	72	44	12a

*Plus any write-in amounts shown on Form 1040, line 61
**Plus any write-in amounts shown on Form 1040A, line 43
***Plus any write-in amount shown on Form 1040EZ, line 10

2007			
IF you are completing Form 1040X...	THEN the corresponding line(s) on the 2007 Form...		
	1040 is:	1040A is:	1040EZ is:
Line 1	37	21	4
Line 7	47–55	29–33	N/A
Line 9	58–62*	36	N/A
Lines 11–16	64–71	38–41**	7 and 8a***
Line 19	73	43	11a

*Plus any write-in amounts shown on Form 1040, line 63
**Plus any write-in amounts shown on Form 1040A, line 42
***Plus any write-in amount shown on Form 1040EZ, line 9

2006			
IF you are completing Form 1040X...	THEN the corresponding line(s) on the 2006 Form...		
	1040 is:	1040A is:	1040EZ is:
Line 1	37	21	4
Line 7	47–55	29–33	N/A
Line 9	58–62*	36	N/A
Lines 11–16	64–71	38–42**	7–9***
Line 19	73	44	12a

*Plus any write-in amounts shown on Form 1040, line 63
**Plus any write-in amounts shown on Form 1040A, line 43
***Plus any write-in amount shown on Form 1040EZ, line 10

2005			
IF you are completing Form 1040X...	THEN the corresponding line(s) on the 2005 Form...		
	1040 is:	1040A is:	1040EZ is:
Line 1	37	21	4
Line 7	47–55	29–34	N/A
Line 9	58–62*	37	N/A
Lines 11–16	64–70	39–42**	7 and 8a***
Line 19	72	44	11a

*Plus any write-in amounts shown on Form 1040, line 63
**Plus any write-in amounts shown on Form 1040A, line 43
***Plus any write-in amount shown on Form 1040EZ, line 9

Paperwork Reduction Act Notice

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

We welcome comments on forms. If you have comments or suggestions for making this form simpler, we would be happy to hear from you. You can email us at **taxforms@irs.gov.* (The asterisk must be included in the address.) Enter “Forms Comment” on the subject line. Or you can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the form to this address. Instead, see *Where To File* on page 3.

Estimates of Taxpayer Burden

The table below shows burden estimates for taxpayers filing a Form 1040X. Time spent and out-of-pocket costs are estimated separately. Out-of-pocket costs include any expenses incurred by taxpayers to prepare and submit their tax returns. Examples of out-of-pocket costs include tax return preparation and submission fees, postage, tax preparation software costs, photocopying costs, and phone calls (if not toll-free).

Both time and cost burdens are national averages and do not necessarily reflect a “typical” case. The averages include all associated forms and schedules, across all preparation methods and all taxpayer activities. Within each of these estimates, there is significant variation in taxpayer activity. Similarly, tax preparation fees vary extensively depending on the taxpayer’s situation and issues, the type of professional preparer, and the geographic area.

The data shown are the best estimates available as of October 19, 2007, from tax returns filed for 2006. The method used to estimate taxpayer burden incorporates results from a taxpayer burden survey conducted in 2000 and 2001. The estimates are subject to change as new forms and data become available. The estimates do not include burden associated with post-filing activities. However, operational IRS data indicate that electronically prepared and e-filed returns have fewer errors, implying a lower overall post-filing burden.

If you have comments concerning the time and cost estimates below, you can contact us at either one of the addresses shown under *We welcome comments on forms* above.

Estimated Average Taxpayer Burden

The average time and costs required to complete and file Form 1040X, its schedules, and accompanying forms will vary depending on individual circumstances. The estimated averages are:

Average Time Burden (Hours)	Average Cost (Dollars)
3.5	$28

SCHEDULES A&B (Form 1040)

Department of the Treasury Internal Revenue Service

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A&B (Form 1040).

OMB No. 1545-0074

2008

Attachment Sequence No. 07

Name(s) shown on Form 1040 | Your social security number

Medical and Dental Expenses		**Caution.** Do not include expenses reimbursed or paid by others.		
	1	Medical and dental expenses (see page A-1)	1	
	2	Enter amount from Form 1040, line 38 [2]		
	3	Multiply line 2 by 7.5% (.075)	3	
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		4
Taxes You Paid (See page A-2.)	5	State and local **(check only one box):** a ☐ Income taxes, **or** b ☐ General sales taxes	5	
	6	Real estate taxes (see page A-5)	6	
	7	Personal property taxes	7	
	8	Other taxes. List type and amount ▶	8	
	9	Add lines 5 through 8		9
Interest You Paid (See page A-5.)	10	Home mortgage interest and points reported to you on Form 1098	10	
	11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-6 and show that person's name, identifying no., and address ▶	11	
Note. Personal interest is not deductible.	12	Points not reported to you on Form 1098. See page A-6 for special rules	12	
	13	Qualified mortgage insurance premiums (see page A-6)	13	
	14	Investment interest. Attach Form 4952 if required. (See page A-6.)	14	
	15	Add lines 10 through 14		15
Gifts to Charity If you made a gift and got a benefit for it, see page A-7.	16	Gifts by cash or check. If you made any gift of $250 or more, see page A-7	16	
	17	Other than by cash or check. If any gift of $250 or more, see page A-8. You **must** attach Form 8283 if over $500	17	
	18	Carryover from prior year	18	
	19	Add lines 16 through 18		19
Casualty and Theft Losses	20	Casualty or theft loss(es). Attach Form 4684. (See page A-8.)		20
Job Expenses and Certain Miscellaneous Deductions (See page A-9.)	21	Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-9.) ▶	21	
	22	Tax preparation fees	22	
	23	Other expenses—investment, safe deposit box, etc. List type and amount ▶	23	
	24	Add lines 21 through 23	24	
	25	Enter amount from Form 1040, line 38 [25]		
	26	Multiply line 25 by 2% (.02)	26	
	27	Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-		27
Other Miscellaneous Deductions	28	Other—from list on page A-10. List type and amount ▶		28
Total Itemized Deductions	29	Is Form 1040, line 38, over $159,950 (over $79,975 if married filing separately)? ☐ **No.** Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40. ☐ **Yes.** Your deduction may be limited. See page A-10 for the amount to enter. ▶		29
	30	If you elect to itemize deductions even though they are less than your standard deduction, check here . . . . ▶ ☐		

Name(s) shown on Form 1040. Do not enter name and social security number if shown on other side. | **Your social security number**

Schedule B—Interest and Ordinary Dividends

Attachment Sequence No. 08

Part I Interest

(See page B-1 and the instructions for Form 1040, line 8a.)

Note. If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

			Amount
1	List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see page B-1 and list this interest first. Also, show that buyer's social security number and address ▶	1	
2	Add the amounts on line 1	2	
3	Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815	3	
4	Subtract line 3 from line 2. Enter the result here and on Form 1040, line 8a ▶	4	

Note. If line 4 is over $1,500, you must complete Part III.

Part II Ordinary Dividends

(See page B-1 and the instructions for Form 1040, line 9a.)

Note. If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

			Amount
5	List name of payer ▶	5	
6	Add the amounts on line 5. Enter the total here and on Form 1040, line 9a ▶	6	

Note. If line 6 is over $1,500, you must complete Part III.

Part III Foreign Accounts and Trusts

(See page B-2.)

	You must complete this part if you **(a)** had over $1,500 of taxable interest or ordinary dividends; or **(b)** had a foreign account; or **(c)** received a distribution from, or were a grantor of, or a transferor to, a foreign trust.	Yes	No
7a	At any time during 2008, did you have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account? See page B-2 for exceptions and filing requirements for Form TD F 90-22.1		
b	If "Yes," enter the name of the foreign country ▶		
8	During 2008, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See page B-2		

Department of the Treasury
Internal Revenue Service

2008 Instructions for Schedules A & B (Form 1040)

Instructions for Schedule A, Itemized Deductions

Use Schedule A (Form 1040) to figure your itemized deductions. In most cases, your federal income tax will be less if you take the larger of your itemized deductions or your standard deduction.

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

If you and your spouse paid expenses jointly and are filing separate returns for 2008, see Pub. 504 to figure the portion of joint expenses that you can claim as itemized deductions.

CAUTION *Do not include on Schedule A items deducted elsewhere, such as on Form 1040 or Schedule C, C-EZ, E, or F.*

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

Qualified contributions. Certain cash contributions you made for relief efforts in a Midwestern disaster area are not subject to the overall limitation on itemized deductions or the 50% adjusted gross income limitation. See Pub. 526 for more details.

Standard mileage rates. The 2008 rate for use of your vehicle to get medical care is 19 cents a mile (27 cents a mile after June 30, 2008). The 2008 rate for charitable use of your vehicle to provide relief related to a Midwestern disaster area is 36 cents a mile (41 cents a mile after June 30, 2008).

State and local general sales taxes. The option to deduct state and local general sales taxes instead of state and local income taxes was extended through 2009. See the instructions for line 5 that begin on page A-2.

Qualified mortgage insurance premiums. The deduction for qualified mortgage insurance premiums for mortgage insurance contracts issued after December 31, 2006, was extended through 2010. See the instructions for line 13 on page A-6.

Disaster area casualties and thefts. Special rules apply to casualty and theft losses that occurred in the Kansas disaster area, a Midwestern disaster area, or a federally declared disaster area. See the instructions for line 20 that begin on page A-8.

Qualified conservation contributions. The special deduction limit for qualified conservation contributions has been extended through 2009. See Pub. 526 for more details.

Medical and Dental Expenses

You can deduct only the part of your medical and dental expenses that exceeds 7.5% of the amount on Form 1040, line 38.

Pub. 502 discusses the types of expenses that you can and cannot deduct. It also explains when you can deduct capital expenses and special care expenses for disabled persons.

CAUTION *If you received a distribution from a health savings account or a medical savings account in 2008, see Pub. 969 to figure your deduction.*

Examples of Medical and Dental Payments You Can Deduct

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

- Insurance premiums for medical and dental care, including premiums for qualified long-term care contracts as defined in Pub. 502. But see *Limit on long-term care premiums you can deduct* on page A-2. Reduce the insurance premiums by any self-employed health insurance deduction you claimed on Form 1040, line 29. You cannot deduct insurance premiums paid with pretax dollars because the premiums are not included in box 1 of your Form(s) W-2. If you are a retired public safety officer, you cannot deduct any premiums you paid to the extent they were paid for with a tax-free distribution from your retirement plan.

CAUTION *If, during 2008, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA (ATAA) recipient, or Pension Benefit Guaranty Corporation pension recipient, you must reduce your insurance premiums by any amounts used to figure the health coverage tax credit. See the instructions for line 1 on page A-2.*

- Prescription medicines or insulin.
- Acupuncturists, chiropractors, dentists, eye doctors, medical doctors, occupational therapists, osteopathic doctors, physical therapists, podiatrists, psychiatrists, psychoanalysts (medical care only), and psychologists.
- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths your doctor ordered.
- Diagnostic tests, such as a full-body scan, pregnancy test, or blood sugar test kit.
- Nursing help (including your share of the employment taxes paid). If you paid 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, and lab fees.
- Qualified long-term care services (see Pub. 502).
- The supplemental part of Medicare insurance (Medicare B).
- The premiums you pay for Medicare Part D insurance.
- A program to stop smoking and for prescription medicines to alleviate nicotine withdrawal.
- A weight-loss program as treatment for a specific disease (including obesity) diagnosed by a doctor.
- Medical treatment at a center for drug or alcohol addiction.
- Medical aids such as eyeglasses, contact lenses, hearing aids, braces, crutches, wheelchairs, and guide dogs, including the cost of maintaining them.

Cat. No. 24328L

• Surgery to improve defective vision, such as laser eye surgery or radial keratotomy.

• Lodging expenses (but not meals) while away from home to receive medical care in a hospital or a medical care facility related to a hospital, provided there was no significant element of personal pleasure, recreation, or vacation in the travel. Do not deduct more than $50 a night for each eligible person.

• Ambulance service and other travel costs to get medical care. If you used your own car, you can claim what you spent for gas and oil to go to and from the place you received the care; or you can claim 19 cents a mile (27 cents a mile after June 30, 2008). Add parking and tolls to the amount you claim under either method.

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

Limit on long-term care premiums you can deduct. The amount you can deduct for qualified long-term care contracts (as defined in Pub. 502) depends on the age, at the end of 2008, of the person for whom the premiums were paid. See the chart below for details.

IF the person was, at the end of 2008, age . . .	THEN the most you can deduct is . . .
40 or under	$ 310
41–50	$ 580
51–60	$ 1,150
61–70	$ 3,080
71 or older	$ 3,850

Examples of Medical and Dental Payments You Cannot Deduct

• The cost of diet food.

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

• Life insurance or income protection policies.

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

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

• Nursing care for a healthy baby. But you may be able to take a credit for the amount you paid. See the instructions for Form 1040, line 48.

• Illegal operations or drugs.

• Imported drugs not approved by the U.S. Food and Drug Administration (FDA). This includes foreign-made versions of U.S.-approved drugs manufactured without FDA approval.

• Nonprescription medicines (including nicotine gum and certain nicotine patches).

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

• Funeral, burial, or cremation costs.

Line 1

Medical and Dental Expenses

Enter the total of your medical and dental expenses (see page A-1), after you reduce these expenses by any payments received from insurance or other sources. See *Reimbursements* on this page.

TIP *Do not forget to include insurance premiums you paid for medical and dental care. But if you claimed the self-employed health insurance deduction on Form 1040, line 29, reduce the premiums by the amount on line 29.*

Note. If, during 2008, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA (ATAA) recipient, or Pension Benefit Guaranty Corporation pension recipient, you must complete Form 8885 before completing Schedule A, line 1. When figuring the amount of insurance premiums you can deduct on Schedule A, do not include:

• Any amounts you included on Form 8885, line 4,

• Any qualified health insurance premiums you paid to "U.S. Treasury — HCTC," or

• Any health coverage tax credit advance payments shown in box 1 of Form 1099-H.

Whose medical and dental expenses can you include? You can include medical and dental bills you paid for anyone who was one of the following either when the services were provided or when you paid for them.

• Yourself and your spouse.

• All dependents you claim on your return.

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

• Any person you could have claimed as a dependent on your return except that person received $3,500 or more of gross income or filed a joint return.

• Any person you could have claimed as a dependent except that you, or your spouse if filing jointly, can be claimed as a dependent on someone else's 2008 return.

Example. You provided over half of your mother's support but cannot claim her as a dependent because she received wages of $3,500 in 2008. You can include on line 1 any medical and dental expenses you paid in 2008 for your mother.

Reimbursements. If your insurance company paid the provider directly for part of your expenses, and you paid only the amount that remained, include on line 1 only the amount you paid. If you received a reimbursement in 2008 for medical or dental expenses you paid in 2008, reduce your 2008 expenses by this amount. If you received a reimbursement in 2008 for prior year medical or dental expenses, do not reduce your 2008 expenses by this amount. But if you deducted the expenses in the earlier year and the deduction reduced your tax, you must include the reimbursement in income on Form 1040, line 21. See Pub. 502 for details on how to figure the amount to include.

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

Taxes You Paid

Taxes You Cannot Deduct

• Federal income and excise taxes.

• Social security, Medicare, federal unemployment (FUTA), and railroad retirement (RRTA) taxes.

• Customs duties.

• Federal estate and gift taxes. But see the instructions for line 28 on page A-10.

• Certain state and local taxes, including: tax on gasoline, car inspection fees, assessments for sidewalks or other improvements to your property, tax you paid for someone else, and license fees (marriage, driver's, dog, etc.).

Line 5

CAUTION *You can elect to deduct state and local general sales taxes instead of state and local income taxes.* ***You cannot deduct both.***

State and Local Income Taxes

If you deduct state and local income taxes, check **box a** on line 5. Include on this line the state and local income taxes listed below.

• State and local income taxes withheld from your salary during 2008. Your Form(s) W-2 will show these amounts. Forms W-2G, 1099-G, 1099-R, and 1099-MISC may also show state and local income taxes withheld.

• State and local income taxes paid in 2008 for a prior year, such as taxes paid with your 2007 state or local income tax return. Do not include penalties or interest.

- State and local estimated tax payments made during 2008, including any part of a prior year refund that you chose to have credited to your 2008 state or local income taxes.
- Mandatory contributions you made to the California, New Jersey, or New York Nonoccupational Disability Benefit Fund, Rhode Island Temporary Disability Benefit Fund, or Washington State Supplemental Workmen's Compensation Fund.
- Mandatory contributions to the Alaska, New Jersey, or Pennsylvania state unemployment fund.

Do not reduce your deduction by any:

- State or local income tax refund or credit you expect to receive for 2008, or
- Refund of, or credit for, prior year state and local income taxes you actually received in 2008. Instead, see the instructions for Form 1040, line 10.

State and Local General Sales Taxes

If you elect to deduct state and local general sales taxes, you **must** check **box b** on line 5. To figure your deduction, you can use either your actual expenses or the optional sales tax tables.

Actual Expenses

Generally, you can deduct the actual state and local general sales taxes (including compensating use taxes) you paid in 2008 if the tax rate was the same as the general sales tax rate. However, sales taxes on food, clothing, medical supplies, and motor vehicles are deductible as a general sales tax even if the tax rate was less than the general sales tax rate. If you paid sales tax on a motor vehicle at a rate higher than the general sales tax rate, you can deduct only the amount of tax that you would have paid at the general sales tax rate on that vehicle. Motor vehicles include cars, motorcycles, motor homes, recreational vehicles, sport utility vehicles, trucks, vans, and off-road vehicles. Also include any state and local general sales taxes paid for a leased motor vehicle. Do not include sales taxes paid on items used in your trade or business.

CAUTION *You must keep your actual receipts showing general sales taxes paid to use this method.*

Refund of general sales taxes. If you received a refund of state or local general sales taxes in 2008 for amounts paid in 2008, reduce your **actual** 2008 state and local general sales taxes by this amount. If you received a refund of state or local general sales taxes in 2008 for prior year purchases, do not reduce your 2008 state and local general sales taxes by this amount. But if you deducted your **actual** state and local general sales taxes in the earlier year and the deduction reduced your tax, you may have to include the refund in income on Form 1040, line 21. See *Recoveries* in Pub. 525 for details.

Optional Sales Tax Tables

Instead of using your actual expenses, you can use the tables on pages A-11 through A-13 to figure your state and local general sales tax deduction. You may also be able to add the state and local general sales taxes paid on certain specified items.

To figure your state and local general sales tax deduction using the tables, complete the worksheet on page A-4 or use the 2008 Sales Tax Deduction Calculator on the IRS website. To use the 2008 Sales Tax Deduction Calculator, go to *www.irs.gov* and enter "Sales tax deduction calculator" in the search box.

CAUTION *If your filing status is married filing separately, both you and your spouse elect to deduct sales taxes,* ***and*** *your spouse elects to use the optional sales tax tables, you also must use the tables to figure your state and local general sales tax deduction.*

Instructions for Line 5b Worksheet

Line 1. If you lived in the same state for all of 2008, enter the applicable amount, based on your 2008 income and exemptions, from the optional state sales tax table for your state on page A-11 or A-12. Read down the "At least–But less than" columns for your state and find the line that includes your 2008 income. If married filing separately, do not include your spouse's income. Your 2008 income is the amount shown on your Form 1040, line 38, **plus** any nontaxable items, such as the following.

- Tax-exempt interest.
- Veterans' benefits.
- Nontaxable combat pay.
- Workers' compensation.
- Nontaxable part of social security and railroad retirement benefits.
- Nontaxable part of IRA, pension, or annuity distributions. Do not include rollovers.
- Public assistance payments.

The exemptions column refers to the number of exemptions claimed on Form 1040, line 6d.

What if you lived in more than one state? If you lived in more than one state during 2008, look up the table amount for each state using the above rules. If there is no table for your state, the table amount is considered to be zero. Multiply the table amount for each state you lived in by a fraction. The numerator of the fraction is the number of days you lived in the state during 2008 and the denominator is the total number of days in the year (366). Enter the total of the prorated table amounts for each state on line 1. However, if you also lived in a locality during 2008 that imposed a local general sales tax, do not enter the total on line 1. Instead, complete a separate worksheet for each state you lived in and enter the prorated amount for that state on line 1.

Example. You lived in State A from January 1 through August 31, 2008 (244 days), and in State B from September 1 through December 31, 2008 (122 days). The table amount for State A is $500. The table amount for State B is $400. You would figure your state general sales tax as follows.

State A:	$500 x 244/366 =	$333
State B:	$400 x 122/366 =	133
Total	=	$466

If none of the localities in which you lived during 2008 imposed a local general sales tax, enter $466 on line 1 of your worksheet. Otherwise, complete a separate worksheet for State A and State B. Enter $333 on line 1 of the State A worksheet and $133 on line 1 of the State B worksheet.

Line 2. If you checked the "No" box, enter -0- on line 2, and go to line 3. If you checked the "Yes" box and lived in the same locality for all of 2008, enter the applicable amount, based on your 2008 income and exemptions, from the optional local sales tax table for your locality on page A-13. Read down the "At least–But less than" columns for your locality and find the line that includes your 2008 income. See the line 1 instructions on this page to figure your 2008 income. The exemptions column refers to the number of exemptions claimed on Form 1040, line 6d.

What if you lived in more than one locality? If you lived in more than one locality during 2008, look up the table amount for each locality using the above rules. If there is no table for your locality, the table amount is considered to be zero. Multiply the table amount for each locality you lived in by a fraction. The numerator of the fraction is the number of days you lived in the locality during 2008 and the denominator is the total number of days in the year (366). If you lived in more than one locality in the same state and the local general sales tax rate was the same for each locality, enter the total of the prorated table amounts for each locality in that state on line 2. Otherwise, complete a separate worksheet for lines 2 through 6 for each locality and enter each prorated table amount on line 2 of the applicable worksheet.

Example. You lived in Locality 1 from January 1 through August 31, 2008 (244 days), and in Locality 2 from September 1 through December 31, 2008 (122 days). The table amount for Locality 1 is $100. The table amount for Locality 2 is $150. You would figure the amount to enter on line 2 as follows. Note that this amount may not equal your local sales tax deduction, which is figured on line 6 of the worksheet.

Locality 1:	$100 x 244/366 =	$ 67
Locality 2:	$150 x 122/366 =	50
Total	=	$117

Line 3. If you lived in California, check the "No" box if your combined state and local general sales tax rate is 7.25%. Otherwise, check the "Yes" box and include on line 3 only the part of the combined rate that is more than 7.25%.

If you lived in Nevada, check the "No" box if your combined state and local general sales tax rate is 6.5%. Otherwise, check the "Yes" box and include on line 3 only the part of the combined rate that is more than 6.5%.

What if your local general sales tax rate changed during 2008? If you checked the "Yes" box and your local general sales tax rate changed during 2008, figure the rate to enter on line 3 as follows. Multiply each tax rate for the period it was in effect by a fraction. The numerator of the fraction is the number of days the rate was in effect during 2008 and the denominator is the total number of days in the year (366). Enter the total of the prorated tax rates on line 3.

Example. Locality 1 imposed a 1% local general sales tax from January 1 through September 30, 2008 (274 days). The rate increased to 1.75% for the period from October 1 through December 31, 2008 (92 days). You would enter "1.189" on line 3, figured as follows.

January 1 – September 30:	1.00 x 274/366 =	0.749
October 1 – December 31:	1.75 x 92/366 =	0.440
Total	=	1.189

What if you lived in more than one locality in the same state during 2008? Complete a separate worksheet for lines 2 through 6 for each locality in your state if you lived in more than one locality in the

State and Local General Sales Tax Deduction Worksheet—Line 5b

(See the *Instructions for Line 5b Worksheet* that begin on page A-3.) *Keep for Your Records*

Before you begin: See the instructions for line 1 on page A-3 if:

√ You lived in more than one state during 2008, or
√ You had any **nontaxable** income in 2008.

1. Enter your **state** general sales taxes from the applicable table on page A-11 or A-12 (see page A-3 of the instructions) . . . . **1.** $______

Next. If, for all of 2008, you lived only in Connecticut, the District of Columbia, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Jersey, Rhode Island, or West Virginia, skip lines 2 through 5, enter -0- on line 6, and go to line 7. Otherwise, go to line 2.

2. Did you live in Alaska, Arizona, Arkansas, California (Los Angeles County only), Colorado, Georgia, Illinois, Louisiana, Missouri, New York State, North Carolina, South Carolina, Tennessee, Utah, or Virginia in 2008?

☐ **No.** Enter -0-
☐ **Yes.** Enter your **local** general sales taxes from the applicable table on page A-13 (see page A-3 of the instructions) . . . . **2.** $______

3. Did your locality impose a **local** general sales tax in 2008? Residents of California and Nevada see page A-3 of the instructions.

☐ **No.** Skip lines 3 through 5, enter -0- on line 6, and go to line 7.
☐ **Yes.** Enter your **local** general sales tax rate, but omit the percentage sign. For example, if your local general sales tax rate was 2.5%, enter 2.5. If your local general sales tax rate changed or you lived in more than one locality in the same state during 2008, see above. (If you do not know your local general sales tax rate, contact your local government.) . . . . **3.** ___.____

4. Did you enter -0- on line 2 above?

☐ **No.** Skip lines 4 and 5 and go to line 6.
☐ **Yes.** Enter your **state** general sales tax rate (shown in the table heading for your state), but omit the percentage sign. For example, if your state general sales tax rate is 6%, enter 6.0 . . . . **4.** ___.____

5. Divide line 3 by line 4. Enter the result as a decimal (rounded to at least three places) **5.** ___.____

6. Did you enter -0- on line 2 above?

☐ **No.** Multiply line 2 by line 3
☐ **Yes.** Multiply line 1 by line 5. If you lived in more than one locality in the same state during 2008, see the instructions above . . . . **6.** $______

7. Enter your state and local general sales taxes paid on specified items, if any (see page A-5 of the instructions) . . . . **7.** $______

8. **Deduction for general sales taxes.** Add lines 1, 6, and 7. Enter the result here and the total from all your state and local general sales tax deduction worksheets, if you completed more than one, on Schedule A, line 5. Be sure to check **box b** on that line . . . . **8.** $______

same state during 2008 and either of the following applies.

- Each locality did not have the same local general sales tax rate.
- You lived in Los Angeles County, CA.

To figure the amount to enter on line 3 of the worksheet for each locality in which you lived (except a locality for which you used the table on page A-13 to figure your local general sales tax deduction), multiply the local general sales tax rate by a fraction. The numerator of the fraction is the number of days you lived in the locality during 2008 and the denominator is the total number of days in the year (366).

Example. You lived in Locality 1 from January 1 through August 31, 2008 (244 days), and in Locality 2 from September 1 through December 31, 2008 (122 days). The local general sales tax rate for Locality 1 is 1%. The rate for Locality 2 is 1.75%. You would enter “0.667” on line 3 for the Locality 1 worksheet and “0.583” for the Locality 2 worksheet, figured as follows.

Locality 1:	1.00 x 244/366 =	0.667
Locality 2:	1.75 x 122/366 =	0.583

Line 6. If you lived in more than one locality in the same state during 2008, you should have completed line 1 only on the first worksheet for that state and separate worksheets for lines 2 through 6 for any other locality within that state in which you lived during 2008. If you checked the “Yes” box on line 6 of any of those worksheets, multiply line 5 of that worksheet by the amount that you entered on line 1 for that state on the first worksheet.

Line 7. Enter on line 7 any state and local general sales taxes paid on the following specified items. If you are completing more than one worksheet, include the total for line 7 on only one of the worksheets.

1. A motor vehicle (including a car, motorcycle, motor home, recreational vehicle, sport utility vehicle, truck, van, and off-road vehicle). Also include any state and local general sales taxes paid for a leased motor vehicle. If the state sales tax rate on these items is higher than the general sales tax rate, only include the amount of tax you would have paid at the general sales tax rate.
2. An aircraft or boat, if the tax rate was the same as the general sales tax rate.
3. A home (including a mobile home or prefabricated home) or substantial addition to or major renovation of a home, but only if the tax rate was the same as the general sales tax rate and any of the following applies.

a. Your state or locality imposes a general sales tax directly on the sale of a home or on the cost of a substantial addition or major renovation.

b. You purchased the materials to build a home or substantial addition or to perform a major renovation and paid the sales tax directly.

c. Under your state law, your contractor is considered your agent in the construction of the home or substantial addition or the performance of a major renovation. The contract must state that the contractor is authorized to act in your name and must follow your directions on construction decisions. In this case, you will be considered to have purchased any items subject to a sales tax and to have paid the sales tax directly.

Do not include sales taxes paid on items used in your trade or business. If you received a refund of state or local general sales taxes in 2008, see *Refund of general sales taxes* on page A-3.

Line 6

Real Estate Taxes

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

Do not include the following amounts on line 6.

- Itemized charges for services to specific property or persons (for example, a $20 monthly charge per house for trash collection, a $5 charge for every 1,000 gallons of water consumed, or a flat charge for mowing a lawn that had grown higher than permitted under a local ordinance).
- Charges for improvements that tend to increase the value of your property (for example, an assessment to build a new sidewalk). The cost of a property improvement is added to the basis of the property. However, a charge is deductible if it is used only to maintain an existing public facility in service (for example, a charge to repair an existing sidewalk, and any interest included in that charge).

If your mortgage payments include your real estate taxes, you can deduct only the amount the mortgage company actually paid to the taxing authority in 2008.

If you sold your home in 2008, any real estate tax charged to the buyer should be shown on your settlement statement and in box 5 of any Form 1099-S you received. This amount is considered a refund of real estate taxes. See *Refunds and rebates* below. Any real estate taxes you paid at closing should be shown on your settlement statement.

Refunds and rebates. If you received a refund or rebate in 2008 of real estate taxes you paid in 2008, reduce your deduction by the amount of the refund or rebate. If you received a refund or rebate in 2008 of real estate taxes you paid in an earlier year, do not reduce your deduction by this amount. Instead, you must include the refund or rebate in income on Form 1040, line 21, if you deducted the real estate taxes in the earlier year and the deduction reduced your tax. See *Recoveries* in Pub. 525 for details on how to figure the amount to include in income.

Line 7

Personal Property Taxes

Enter the state and local personal property taxes you paid, but only if the taxes were based on value alone and were imposed on a yearly basis.

Example. You paid a yearly fee for the registration of your car. Part of the fee was based on the car’s value and part was based on its weight. You can deduct only the part of the fee that was based on the car’s value.

Line 8

Other Taxes

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

TIP *You may want to take a credit for the foreign tax instead of a deduction. See the instructions for Form 1040, line 47, for details.*

Interest You Paid

Whether your interest expense is treated as investment interest, personal interest, or business interest depends on how and when you used the loan proceeds. See Pub. 535 for details.

In general, if you paid interest in 2008 that applies to any period after 2008, you can deduct only amounts that apply for 2008.

Lines 10 and 11

Home Mortgage Interest

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

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

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

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

1. You took out any mortgages after October 13, 1987, and used the proceeds for purposes other than to buy, build, or improve your home, and all of these mortgages totaled over $100,000 at any time during 2008. The limit is $50,000 if married filing separately. An example of this type of mortgage is a home equity loan used to pay off credit card bills, buy a car, or pay tuition.

2. You took out any mortgages after October 13, 1987, and used the proceeds to buy, build, or improve your home, and these mortgages plus any mortgages you took out on or before October 13, 1987, totaled over $1 million at any time during 2008. The limit is $500,000 if married filing separately.

CAUTION *If the total amount of all mortgages is more than the fair market value of the home, additional limits apply. See Pub. 936.*

Line 10

Enter on line 10 mortgage interest and points reported to you on Form 1098 under your social security number (SSN). If this form shows any refund of overpaid interest, do not reduce your deduction by the refund. Instead, see the instructions for Form 1040, line 21. If you and at least one other person (other than your spouse if filing jointly) were liable for and paid interest on the mortgage, and the interest was reported on Form 1098 under the other person's SSN, report your share of the interest on line 11 (as explained in the line 11 instructions below).

If you paid more interest to the recipient than is shown on Form 1098, see Pub. 936 to find out if you can deduct the additional interest. If you can, attach a statement explaining the difference and enter "See attached" to the right of line 10.

CAUTION *If you are claiming the mortgage interest credit (for holders of qualified mortgage credit certificates issued by state or local governmental units or agencies), subtract the amount shown on Form 8396, line 3, from the total deductible interest you paid on your home mortgage. Enter the result on line 10.*

Line 11

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

If you bought your home from the recipient, be sure to show that recipient's name, identifying number, and address on the dotted lines next to line 11. If the recipient is an individual, the identifying number is his or her social security number (SSN). Otherwise, it is the employer identification number. You must also let the recipient know your SSN. If you do not show the required information about the recipient or let the recipient know your SSN, you may have to pay a $50 penalty.

If you and at least one other person (other than your spouse if filing jointly) were liable for and paid interest on the mortgage, and the other person received the Form 1098, attach a statement to your return showing the name and address of that person. To the right of line 11, enter "See attached."

Line 12

Points Not Reported on Form 1098

Points are shown on your settlement statement. Points you paid only to borrow money are generally deductible over the life of the loan. See Pub. 936 to figure the amount you can deduct. Points paid for other purposes, such as for a lender's services, are not deductible.

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

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

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

Line 13

Qualified Mortgage Insurance Premiums

Enter the qualified mortgage insurance premiums you paid under a mortgage insurance contract issued after December 31, 2006, in connection with home acquisition debt that was secured by your first or second home. See *Prepaid mortgage insurance* on this page if you paid any premiums allocable to any period after 2008. Box 4 of Form 1098 may show the amount of premiums you paid in 2008. If you and at least one other person (other than your spouse if filing jointly) were liable for and paid the premiums in connection with the loan, and the premiums were reported on Form 1098 under the other person's SSN, report your share of the premiums on line 13.

Qualified mortgage insurance is mortgage insurance provided by the Department of Veterans Affairs, the Federal Housing Administration, or the Rural Housing Service, and private mortgage insurance (as defined in section 2 of the Homeowners Protection Act of 1998 as in effect on December 20, 2006).

Mortgage insurance provided by the Department of Veterans Affairs and the Rural Housing Service is commonly known as a funding fee and guarantee fee respectively. These fees can be deducted fully in 2008 if the mortgage insurance contract was issued in 2008. Contact the mortgage insurance issuer to determine the deductible amount if it is not included in box 4 of Form 1098.

Prepaid mortgage insurance. If you paid premiums for qualified mortgage insurance that are allocable to periods after 2008, such premiums are treated as paid in the year to which they are allocated. No deduction is allowed for the unamortized balance if the mortgage is satisfied before its term. The two preceding sentences do not apply to qualified mortgage insurance provided by the Department of Veterans Affairs or the Rural Housing Service.

If, in 2007, you obtained a mortgage and paid qualified mortgage insurance premiums that are allocable to periods after 2007, you can allocate the premiums over the shorter of the stated term of the mortgage or 84 months, beginning with the month the insurance was obtained. See Pub. 936.

At the time these instructions went to print, additional guidance was not yet issued for mortgage insurance premiums that were paid in 2008, but allocable to periods after 2008. For more details, go to *www.irs.gov*, click on *More Forms and Publications*, and then on *What's Hot in forms and publications*, or see Pub. 553, Highlights of 2008 Tax Changes, available in early 2009.

Limit on amount you can deduct. You cannot deduct your mortgage insurance premiums if the amount on Form 1040, line 38, is more than $109,000 ($54,500 if married filing separately). If the amount on Form 1040, line 38, is more than $100,000 ($50,000 if married filing separately), your deduction is limited and you must use the worksheet on page A-7 to figure your deduction.

Line 14

Investment Interest

Investment interest is interest paid on money you borrowed that is allocable to property held for investment. It does not include any interest allocable to passive activities or to securities that generate tax-exempt income.

Complete and attach Form 4952 to figure your deduction.

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

1. Your investment interest expense is not more than your investment income from interest and ordinary dividends minus any qualified dividends.

2. You have no other deductible investment expenses.

3. You have no disallowed investment interest expense from 2007.

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

For more details, see Pub. 550.

Gifts to Charity

You can deduct contributions or gifts 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. Certain whaling captains may be able to deduct expenses paid in 2008 for Native Alaskan subsistence bowhead whale hunting activities. See Pub. 526 for details.

To verify an organization's charitable status, you can:

- Check with the organization to which you made the donation. The organization should be able to provide you with verification of its charitable status.
- See Pub. 78 for a list of most qualified organizations. You can access Pub. 78 on the IRS website at *www.irs.gov* under *Charities and Non-Profits* then *Contributors.*
- Call our Tax Exempt/Government Entities Customer Account Services at 1-877-829-5500.

Examples of Qualified Charitable Organizations

- Churches, mosques, synagogues, temples, etc.
- Boy Scouts, Boys and Girls Clubs of America, CARE, Girl Scouts, Goodwill Industries, Red Cross, Salvation Army, United Way, etc.
- Fraternal orders, if the gifts will be used for the purposes listed earlier on this page.
- 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.

Contributions You Can Deduct

Contributions can be in cash, property, or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described earlier. If you drove to and from the volunteer work, you can take the actual cost of gas and oil or 14 cents a mile. But, if the volunteer work was to provide relief related to a Midwestern disaster area, the amount is 36 cents a mile (41 cents a mile after June 30, 2008), see Pub. 4492-B for more details. Add parking and tolls to the amount you claim under either method. But do not deduct any amounts that were repaid to you.

Gifts from which you benefit. If you made a gift and received a benefit in return, such as food, entertainment, or merchandise, you can generally only deduct the amount that is more than the value of the benefit. But this rule does not apply to certain membership benefits provided in return for an annual payment of $75 or less or to certain items or benefits of token value. For details, see Pub. 526.

Example. You paid $70 to a charitable organization to attend a fund-raising dinner and the value of the dinner was $40. You can deduct only $30.

Gifts of $250 or more. You can deduct a gift of $250 or more only if you have a statement from the charitable organization showing the information in (1) and (2) below.

1. The amount of any money contributed and a description (but not value) of any property donated.
2. Whether the organization did or did not give you any goods or services in return for your contribution. If you did receive any goods or services, a description and estimate of the value must be included. If you received only intangible religious benefits (such as admission to a religious ceremony), the organization must state this, but

Qualified Mortgage Insurance Premiums Deduction Worksheet—Line 13

Keep for Your Records

Before you begin: √ See the instructions for line 13 on page A-6 to see if you must use this worksheet to figure your deduction.

1. Enter the total premiums you paid in 2008 for qualified mortgage insurance for a contract issued after December 31, 2006 . . . . . 1. ______
2. Enter the amount from Form 1040, line 38 . . . . . 2. ______
3. Enter $100,000 ($50,000 if married filing separately) . . . . . 3. ______
4. Is the amount on line 2 more than the amount on line 3?
   ☐ **No.** Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 13. **Do not** complete the rest of this worksheet.
   ☐ **Yes.** Subtract line 3 from line 2. If the result is not a multiple of $1,000 ($500 if married filing separately), increase it to the next multiple of $1,000 ($500 if married filing separately). For example, increase $425 to $1,000, increase $2,025 to $3,000; or if married filing separately, increase $425 to $500, increase $2,025 to $2,500, etc. . . . . . 4. ______
5. Divide line 4 by $10,000 ($5,000 if married filing separately). Enter the result as a decimal. If the result is 1.0 or more, enter 1.0 . . . . . 5. ___ . ___
6. Multiply line 1 by line 5 . . . . . 6. ______
7. **Qualified mortgage insurance premiums deduction.** Subtract line 6 from line 1. Enter the result here and on Schedule A, line 13 . . . . . 7. ______

it does not have to describe or value the benefit.

In figuring whether a gift is $250 or more, do not combine separate donations. For example, if you gave your church $25 each week for a total of $1,300, treat each $25 payment as a separate gift. If you made donations through payroll deductions, treat each deduction from each paycheck as a separate gift. See Pub. 526 if you made a separate gift of $250 or more through payroll deduction.

TIP *You must get the statement by the date you file your return or the due date (including extensions) for filing your return, whichever is earlier. Do not attach the statement to your return. Instead, keep it for your records.*

Limit on the amount you can deduct. See Pub. 526 to figure the amount of your deduction if any of the following applies.

1. Your cash contributions or contributions of ordinary income property are more than 30% of the amount on Form 1040, line 38.
2. Your gifts of capital gain property are more than 20% of the amount on Form 1040, line 38.
3. You gave gifts of property that increased in value or gave gifts of the use of property.

TIP *The limit described in item (1) above does not apply to certain cash contributions paid for relief efforts in a Midwestern disaster area if you elect to treat those contributions as qualified contributions. See Pub. 526 for details.*

Contributions You Cannot Deduct

- Travel expenses (including meals and lodging) while away from home, unless there was no significant element of personal pleasure, recreation, or vacation in the travel.
- Political contributions.
- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.
- Cost of raffle, bingo, or lottery tickets. But you may be able to deduct these expenses on line 28. See the instructions on page A-10 for details.
- Cost of tuition. But you may be able to deduct this expense on line 21 (see page A-9), or Form 1040, line 34, or take a credit for this expense (see Form 8863).
- Value of your time or services.
- Value of blood given to a blood bank.
- The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).
- Gifts to individuals and groups that are run for personal profit.
- Gifts to foreign organizations. But you may be able to deduct gifts to certain U.S. organizations that transfer funds to foreign charities and certain Canadian, Israeli, and Mexican charities. See Pub. 526 for details.
- Gifts to organizations engaged in certain political activities that are of direct financial interest to your trade or business. See section 170(f)(9).
- Gifts to groups whose purpose is to lobby for changes in the laws.
- Gifts to civic leagues, social and sports clubs, labor unions, and chambers of commerce.
- Value of benefits received in connection with a contribution to a charitable organization. See Pub. 526 for exceptions.

Line 16

Gifts by Cash or Check

Enter on line 16 the total gifts you made in cash or by check (including out-of-pocket expenses).

Recordkeeping. For any contribution made in cash, regardless of the amount, you must maintain as a record of the contribution a bank record (such as a canceled check or credit card statement) or a written record from the charity. The written record must include the name of the charity, date, and amount of the contribution. If you made contributions through payroll deduction, see Pub. 526 for information on the records you must keep. Do not attach the record to your tax return. Instead, keep it with your other tax records.

Line 17

Other Than by Cash or Check

Enter your contributions of property. If you gave used items, such as clothing or furniture, deduct their fair market value at the time you gave them. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale. For more details on determining the value of donated property, see Pub. 561.

If the amount of your deduction is more than $500, you must complete and attach Form 8283. For this purpose, the "amount of your deduction" means your deduction before applying any income limits that could result in a carryover of contributions. If you deduct more than $500 for a contribution of a motor vehicle, boat, or airplane, you must also attach a statement from the charitable organization to your return. The organization may use Form 1098-C to provide the required information. If your total deduction is over $5,000, you may also have to get appraisals of the values of the donated property. This amount is $500 for certain contributions of clothing and household items (see below). See Form 8283 and its instructions for details.

Contributions of clothing and household items. A deduction for these contributions will be allowed only if the items are in good used condition or better. However, this rule does not apply to a contribution of any single item for which a deduction of more than $500 is claimed and for which you include a qualified appraisal and Form 8283 with your tax return.

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

- How you figured the property's value at the time you gave it. If the value was determined by an appraisal, keep a signed copy of the appraisal.
- The cost or other basis of the property if you must reduce it by any ordinary income or capital gain that would have resulted if the property had been sold at its fair market value.
- How you figured your deduction if you chose to reduce your deduction for gifts of capital gain property.
- Any conditions attached to the gift.

CAUTION *If your total deduction for gifts of property is over $500, you gave less than your entire interest in the property, or you made a "qualified conservation contribution," your records should contain additional information. See Pub. 526 for details.*

Line 18

Carryover From Prior Year

Enter any carryover of contributions that you could not deduct in an earlier year because they exceeded your adjusted gross income limit. See Pub. 526 for details.

Casualty and Theft Losses

Line 20

Complete and attach Form 4684 to figure the amount of your loss to enter on line 20.

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

You can deduct nonbusiness casualty or theft losses only to the extent that:

1. The amount of each separate casualty or theft loss is more than $100, and

2. The total amount of all losses during the year (reduced by the $100 limit discussed in (1) above) is more than 10% of the amount on Form 1040, line 38.

Exceptions for certain disaster losses. Exceptions to the above limitations apply to losses in certain disaster areas.

Kansas disaster area. Casualty and theft losses that occurred in the Kansas disaster area after May 3, 2007, are not subject to the $100 and 10% of adjusted gross income (AGI) limitations if the losses were attributable to the storms and tornadoes that began May 4, 2007. See Pub. 4492-A for more details.

Midwestern disaster areas. Casualty and theft losses that occurred in a Midwestern disaster area are not subject to the $100 and 10% of AGI limitations if the losses were attributable to the severe storms, tornadoes or flooding. See Pub. 4492-B for more details.

Federally declared disaster areas. The 10% of AGI limitation does not apply to a casualty loss in a federally declared disaster.

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

Use Schedule A, line 23, to deduct the costs of proving that you had a property loss. Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.

For information on federal disaster area losses, see Pub. 547.

Job Expenses and Certain Miscellaneous Deductions

You can deduct only the part of these expenses that exceeds 2% of the amount on Form 1040, line 38.

Pub. 529 discusses the types of expenses that can and cannot be deducted.

Examples of Expenses You Cannot Deduct

- Political contributions.
- Legal expenses for personal matters that do not produce taxable income.
- Lost or misplaced cash or property.
- Expenses for meals during regular or extra work hours.
- The cost of entertaining friends.
- Commuting expenses. See Pub. 529 for the definition of commuting.
- Travel expenses for employment away from home if that period of employment exceeds 1 year. See Pub. 529 for an exception for certain federal employees.
- Travel as a form of education.
- Expenses of attending a seminar, convention, or similar meeting unless it is related to your employment.
- Club dues.
- Expenses of adopting a child. But you may be able to take a credit for adoption expenses. See Form 8839 for details.
- Fines and penalties.
- Expenses of producing tax-exempt income.

Line 21

Unreimbursed Employee Expenses

Enter the total ordinary and necessary job expenses you paid for which you were not reimbursed. (Amounts your employer included in box 1 of your Form W-2 are not considered reimbursements.)

An ordinary expense is one that is common and accepted in your field of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.

But you must fill in and attach Form 2106 if either (1) or (2) below applies.

1. You claim any travel, transportation, meal, or entertainment expenses for your job.

2. Your employer paid you for any of your job expenses that you would otherwise report on line 21.

TIP *If you used your own vehicle, are using the standard mileage rate, and (2) above does not apply, you may be able to file Form 2106-EZ instead.*

If you do not have to file Form 2106 or 2106-EZ, list the type and amount of each expense on the dotted line next to line 21. If you need more space, attach a statement showing the type and amount of each expense. Enter the total of all these expenses on line 21.

CAUTION *Do not include on line 21 any educator expenses you deducted on Form 1040, line 23.*

Examples of other expenses to include on line 21 are:

- Safety equipment, small tools, and supplies needed for your job.
- Uniforms required by your employer that are not suitable for ordinary wear.
- Protective clothing required in your work, such as hard hats, safety shoes, and glasses.
- Physical examinations required by your employer.
- Dues to professional organizations and chambers of commerce.
- Subscriptions to professional journals.
- Fees to employment agencies and other costs to look for a new job in your present occupation, even if you do not get a new job.
- Certain business use of part of your home. For details, including limits that apply, use TeleTax topic 509 (see page 84 of the Form 1040 instructions) or see Pub. 587.
- Certain educational expenses. For details, use TeleTax topic 513 (see page 84 of the Form 1040 instructions) or see Pub. 970. Reduce your educational expenses by any tuition and fees deduction you claimed on Form 1040, line 34.

TIP *You may be able to take a credit for your educational expenses instead of a deduction. See Form 8863 for details.*

Line 22

Tax Preparation Fees

Enter the fees you paid for preparation of your tax return, including fees paid for filing your return electronically. If you paid your tax by credit card, do not include the convenience fee you were charged.

Line 23

Other Expenses

Enter the total amount you paid to produce or collect taxable income and manage or protect property held for earning income. But do not include any personal expenses. List the type and amount of each expense on the dotted lines next to line 23. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 23.

Examples of expenses to include on line 23 are:

- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (for example, trust account) fees.
- Your share of the investment expenses of a regulated investment company.
- Certain losses on nonfederally insured deposits in an insolvent or bankrupt financial institution. For details, including limits that apply, see Pub. 529.
- Casualty and theft losses of property used in performing services as an employee from Form 4684, lines 38 and 44b, or Form 4797, line 18a.
- Deduction for repayment of amounts under a claim of right if $3,000 or less.

Other Miscellaneous Deductions

Line 28

Only the expenses listed next can be deducted on this line. List the type and amount of each expense on the dotted lines next to line 28. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 28.

- Gambling losses, but only to the extent of gambling winnings reported on Form 1040, line 21.
- Casualty and theft losses of income-producing property from Form 4684, lines 38 and 44b, or Form 4797, line 18a.
- Loss from other activities from Schedule K-1 (Form 1065-B), box 2.
- Federal estate tax on income in respect of a decedent.
- Amortizable bond premium on bonds acquired before October 23, 1986.
- Deduction for repayment of amounts under a claim of right if over $3,000. See Pub. 525 for details.
- Certain unrecovered investment in a pension.
- Impairment-related work expenses of a disabled person.

For more details, see Pub. 529.

Total Itemized Deductions

Line 29

Use the worksheet below to figure the amount to enter on line 29 if the amount on Form 1040, line 38, is over $159,950 ($79,975 if married filing separately).

For line 2 of the worksheet below, you will need to know the amount, if any, of your charitable contributions you elected to treat as qualified contributions for relief efforts in a Midwestern disaster area.

Line 30

If you elect to itemize for state tax or other purposes even though your itemized deductions are less than your standard deduction, check the box on line 30.

Itemized Deductions Worksheet—Line 29 *Keep for Your Records*

1. Enter the total of the amounts from Schedule A, lines 4, 9, 15, 19, 20, 27, and 28 . . . . 1. ______
2. Enter the total of the amounts from Schedule A, lines 4, 14, and 20, plus any gambling and casualty or theft losses included on line 28. Also include in the total any amount included on Schedule A, line 16, that you elected to treat as qualified contributions for relief efforts in a Midwestern disaster area . . . . 2. ______

CAUTION Be sure your total gambling and casualty or theft losses are clearly identified on the dotted lines next to line 28.

3. Is the amount on line 2 less than the amount on line 1?
   - ☐ **No.** STOP Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 29.
   - ☐ **Yes.** Subtract line 2 from line 1 . . . . 3. ______
4. Multiply line 3 by 80% (.80) . . . . 4. ______
5. Enter the amount from Form 1040, line 38 . . . . 5. ______
6. Enter $159,950 ($79,975) if married filing separately) . . . . 6. ______
7. Is the amount on line 6 less than the amount on line 5?
   - ☐ **No.** STOP Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 29.
   - ☐ **Yes.** Subtract line 6 from line 5 . . . . 7. ______
8. Multiply line 7 by 3% (.03) . . . . 8. ______
9. Enter the **smaller** of line 4 or line 8 . . . . 9. ______
10. Divide line 9 by 1.5 . . . . 10. ______
11. Subtract line 10 from line 9 . . . . 11. ______
12. **Total itemized deductions.** Subtract line 11 from line 1. Enter the result here and on Schedule A, line 29 . . . . 12. ______

2008 Optional State and Certain Local Sales Tax Tables

Income: At least	But less than	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5
		Exemptions						Exemptions						Exemptions						Exemptions						Exemptions					
		Alabama 4.0000%						Arizona 5.6000%						Arkansas 6.0000%						California[1] 7.2500%						Colorado 2.9000%					
$0	$20,000	201	246	278	303	324	354	205	234	253	267	279	295	287	334	366	390	410	438	246	280	303	320	334	354	96	110	120	127	133	142
20,000	30,000	310	377	423	460	491	535	350	397	429	453	472	500	469	544	594	633	665	709	423	480	518	547	571	603	161	184	200	212	222	235
30,000	40,000	364	442	495	538	574	625	427	484	522	551	575	608	563	652	712	758	796	849	518	587	633	668	696	736	195	223	242	256	268	285
40,000	50,000	411	497	557	604	644	701	494	560	604	637	664	702	644	746	813	866	909	969	601	681	734	774	806	852	225	257	279	295	308	327
50,000	60,000	453	546	612	663	707	769	556	629	678	715	745	788	717	830	905	963	1010	1077	678	767	825	870	907	958	253	288	312	330	345	366
60,000	70,000	491	591	661	717	764	830	612	693	747	787	821	867	784	907	988	1051	1103	1175	748	846	910	960	1000	1056	278	317	343	363	379	402
70,000	80,000	527	634	708	767	817	888	667	754	812	856	892	942	848	979	1067	1135	1191	1269	815	922	991	1045	1088	1149	302	344	372	393	411	436
80,000	90,000	560	673	751	814	866	941	718	811	873	920	959	1012	907	1047	1141	1213	1272	1355	879	992	1067	1124	1171	1236	325	370	399	422	441	467
90,000	100,000	592	710	792	857	912	991	766	866	932	982	1023	1080	962	1111	1210	1287	1350	1437	939	1060	1140	1201	1251	1320	347	394	425	450	470	497
100,000	120,000	633	759	846	915	973	1056	831	938	1009	1063	1107	1169	1036	1196	1302	1384	1452	1546	1019	1150	1236	1302	1356	1430	375	426	460	486	507	537
120,000	140,000	690	825	919	994	1057	1146	920	1039	1117	1176	1225	1292	1138	1312	1429	1518	1592	1695	1131	1275	1370	1443	1502	1584	415	471	508	536	560	593
140,000	160,000	740	883	983	1062	1129	1224	1000	1128	1212	1276	1328	1401	1227	1414	1539	1635	1714	1825	1230	1386	1488	1567	1631	1720	450	510	550	581	606	641
160,000	180,000	790	941	1047	1131	1201	1301	1079	1217	1307	1376	1433	1511	1316	1516	1650	1752	1837	1955	1330	1497	1608	1692	1761	1856	485	550	592	625	652	690
180,000	200,000	835	994	1104	1192	1266	1371	1152	1298	1394	1467	1527	1610	1397	1609	1749	1858	1948	2072	1420	1599	1716	1805	1879	1980	517	586	631	666	694	734
200,000 or more		1060	1254	1390	1497	1587	1715	1522	1711	1836	1931	2008	2116	1801	2070	2250	2387	2501	2660	1885	2117	2269	2385	2481	2613	681	768	826	871	908	959

Income: At least	But less than	Connecticut 6.0000%						District of Columbia 5.7500%						Florida 6.0000%						Georgia 4.0000%						Hawaii 4.0000%					
$0	$20,000	208	231	245	256	264	276	165	186	200	210	219	230	210	244	266	283	297	317	142	163	177	188	197	209	239	283	313	335	354	381
20,000	30,000	356	393	417	435	450	470	285	319	342	359	374	393	359	414	451	479	502	535	236	270	293	310	324	343	378	445	490	525	555	596
30,000	40,000	433	479	508	530	547	572	349	391	418	439	456	480	438	504	549	583	611	650	286	326	353	373	390	413	447	526	579	621	655	703
40,000	50,000	501	554	587	612	633	661	405	453	485	509	528	555	507	584	634	674	706	751	329	375	405	428	447	474	507	596	656	702	741	795
50,000	60,000	563	622	659	688	711	742	456	510	545	572	594	625	571	656	712	756	792	843	368	419	452	478	499	529	561	658	724	775	818	877
60,000	70,000	620	685	726	757	782	817	503	563	601	631	655	688	629	722	784	832	872	927	404	459	496	524	547	579	609	715	786	841	887	952
70,000	80,000	675	744	789	823	850	887	548	613	655	687	713	749	685	786	853	905	948	1008	438	498	537	567	592	627	655	768	844	904	953	1021
80,000	90,000	725	800	848	884	914	954	591	660	705	739	767	806	738	845	917	973	1019	1083	470	534	576	608	634	671	697	817	898	961	1013	1086
90,000	100,000	774	853	905	943	974	1017	631	705	753	789	819	860	788	902	979	1038	1086	1154	501	568	612	647	675	713	738	864	949	1015	1070	1147
100,000	120,000	838	924	979	1021	1055	1101	685	765	816	856	888	933	854	978	1060	1124	1176	1250	541	614	661	698	728	770	791	925	1016	1087	1145	1227
120,000	140,000	927	1022	1083	1129	1166	1217	760	848	905	948	984	1033	946	1082	1173	1243	1301	1381	597	676	728	768	801	847	863	1009	1108	1185	1248	1337
140,000	160,000	1005	1108	1174	1223	1264	1319	826	921	983	1030	1068	1121	1028	1175	1273	1348	1411	1498	647	732	788	831	866	915	926	1083	1188	1270	1337	1433
160,000	180,000	1084	1194	1265	1319	1362	1421	893	995	1061	1112	1153	1210	1110	1268	1373	1454	1521	1614	697	787	847	893	931	983	989	1155	1267	1354	1426	1527
180,000	200,000	1156	1273	1348	1405	1451	1514	954	1062	1133	1186	1230	1291	1185	1352	1464	1550	1621	1721	742	838	901	950	990	1045	1046	1221	1339	1430	1506	1613
200,000 or more		1518	1671	1769	1843	1903	1985	1264	1405	1496	1566	1623	1702	1567	1784	1928	2040	2131	2260	971	1094	1174	1236	1287	1358	1328	1546	1694	1808	1903	2035

Income: At least	But less than	Idaho 6.0000%						Illinois 6.2500%						Indiana[3] 6.7514%						Iowa[3] 5.5027%						Kansas 5.3000%					
$0	$20,000	304	370	416	452	482	526	240	277	301	320	335	357	257	297	323	344	360	384	222	254	275	291	304	322	282	341	382	414	441	479
20,000	30,000	470	569	637	692	737	802	401	461	500	531	556	591	421	484	526	559	585	623	376	429	464	491	513	543	442	533	595	644	685	743
30,000	40,000	555	669	748	811	864	939	486	557	605	641	671	713	506	581	631	670	701	746	457	522	564	596	623	659	524	629	702	759	807	876
40,000	50,000	627	754	843	913	972	1056	560	641	695	737	771	819	580	665	722	766	802	852	528	602	651	688	718	760	593	711	793	857	911	988
50,000	60,000	691	831	927	1004	1068	1160	627	718	778	824	862	915	646	741	804	852	892	947	593	675	729	771	805	852	655	785	875	945	1004	1088
60,000	70,000	750	900	1004	1086	1155	1254	689	788	854	904	945	1003	707	810	879	931	974	1035	652	742	802	847	885	936	712	852	949	1025	1089	1179
70,000	80,000	806	966	1076	1164	1237	1342	748	855	926	980	1024	1087	765	876	950	1006	1053	1117	709	807	871	920	961	1017	765	915	1018	1100	1168	1265
80,000	90,000	857	1026	1143	1235	1313	1424	804	917	993	1051	1098	1165	819	937	1016	1076	1125	1194	761	866	935	988	1031	1091	814	973	1083	1169	1241	1344
90,000	100,000	906	1083	1206	1303	1385	1501	856	977	1057	1118	1169	1239	870	995	1078	1142	1194	1267	811	923	997	1053	1099	1163	861	1028	1144	1234	1310	1418
100,000	120,000	971	1159	1289	1392	1479	1602	926	1056	1142	1208	1262	1338	938	1072	1161	1229	1286	1364	878	999	1078	1139	1188	1257	923	1101	1223	1320	1401	1516
120,000	140,000	1059	1262	1403	1514	1607	1740	1023	1165	1259	1331	1391	1474	1032	1178	1275	1350	1411	1497	970	1103	1190	1257	1312	1388	1007	1200	1333	1437	1525	1650
140,000	160,000	1136	1352	1502	1620	1719	1860	1108	1261	1362	1440	1504	1593	1114	1271	1375	1455	1521	1613	1051	1195	1289	1361	1420	1502	1080	1286	1428	1540	1633	1766
160,000	180,000	1213	1442	1600	1725	1830	1980	1193	1357	1466	1549	1618	1713	1196	1364	1476	1561	1631	1729	1133	1287	1389	1466	1529	1617	1153	1372	1523	1641	1741	1881
180,000	200,000	1283	1523	1689	1820	1931	2087	1271	1445	1560	1648	1721	1822	1271	1448	1566	1656	1731	1834	1207	1371	1479	1561	1628	1722	1219	1449	1608	1733	1837	1985
200,000 or more		1633	1928	2132	2293	2428	2620	1667	1889	2037	2150	2243	2372	1647	1872	2022	2136	2231	2362	1581	1794	1934	2040	2128	2249	1548	1834	2031	2185	2315	2499

Income: At least	But less than	Kentucky 6.0000%						Louisiana 4.0000%						Maine 5.0000%						Maryland[3] 5.9945%						Massachusetts 5.0000%					
$0	$20,000	215	249	272	289	304	324	158	178	192	202	210	221	141	160	172	182	190	200	218	246	265	279	291	307	155	172	184	193	200	209
20,000	30,000	352	406	442	470	493	525	268	302	324	340	354	373	243	274	295	310	323	341	371	416	447	470	489	516	263	292	311	325	336	352
30,000	40,000	424	488	530	563	590	628	326	367	393	414	430	453	298	335	360	379	394	416	451	506	543	571	594	626	320	355	378	395	409	428
40,000	50,000	486	559	607	644	675	718	377	424	454	477	496	522	346	389	417	439	457	481	522	585	626	658	685	721	371	411	436	456	472	494
50,000	60,000	543	623	676	717	751	798	423	476	510	535	556	585	390	438	470	494	514	541	586	656	703	738	767	808	417	461	490	512	529	554
60,000	70,000	595	682	739	784	821	872	466	523	560	589	612	644	430	483	518	545	566	597	646	722	773	812	844	888	459	508	539	563	582	609
70,000	80,000	644	738	800	848	887	942	507	569	609	640	664	699	469	527	564	593	617	649	703	785	840	882	916	964	500	552	586	612	633	661
80,000	90,000	691	790	856	907	949	1008	545	611	654	687	714	751	506	567	608	638	664	699	756	844	902	947	984	1035	538	594	630	657	680	710
90,000	100,000	735	839	909	963	1008	1070	581	652	697	732	761	800	540	606	649	682	709	746	807	900	962	1009	1048	1102	574	633	672	701	725	757
100,000	120,000	793	905	980	1038	1085	1152	629	705	755	792	823	865	587	658	704	739	768	808	874	974	1041	1092	1134	1192	622	686	727	759	784	819
120,000	140,000	873	996	1077	1140	1192	1265	696	780	834	875	909	955	652	729	781	819	851	895	967	1077	1150	1206	1252	1316	689	759	804	839	867	905
140,000	160,000	944	1076	1163	1231	1286	1364	755	845	904	948	985	1035	709	793	848	890	925	972	1050	1168	1247	1307	1357	1426	748	823	872	910	940	981
160,000	180,000	1016	1156	1249	1321	1380	1463	814	911	974	1022	1061	1115	767	857	916	962	998	1050	1133	1260	1344	1408	1461	1535	807	888	941	981	1013	1058
180,000	200,000	1080	1228	1327	1403	1466	1553	867	971	1038	1088	1130	1187	819	915	978	1026	1066	1120	1209	1343	1432	1500	1557	1635	861	947	1003	1045	1080	1127
200,000 or more		1409	1596	1721	1817	1896	2006	1140	1274	1360	1426	1480	1554	1089	1214	1296	1358	1409	1479	1594	1766	1880	1967	2039	2140	1136	1247	1319	1374	1418	1479

Income: At least	But less than	Michigan 6.0000%						Minnesota 6.5000%						Mississippi 7.0000%						Missouri 4.2250%						Nebraska 5.5000%					
$0	$20,000	219	249	268	283	296	313	209	231	246	257	266	279	387	463	515	555	589	637	169	194	212	225	236	251	224	252	271	285	297	313
20,000	30,000	371	420	452	476	497	524	362	401	426	445	460	482	609	724	803	865	917	990	283	325	353	375	392	417	378	426	457	480	499	526
30,000	40,000	451	510	549	578	602	636	444	492	522	545	564	590	720	856	949	1021	1082	1167	344	394	428	453	475	504	459	517	554	583	606	638
40,000	50,000	521	589	633	667	695	733	517	572	607	634	655	685	816	969	1073	1154	1222	1318	396	454	492	522	546	580	530	596	639	672	698	735
50,000	60,000	585	661	710	748	778	821	583	644	684	714	738	772	902	1069	1183	1273	1347	1452	444	509	551	584	611	648	594	668	716	753	782	823
60,000	70,000	645	727	781	822	856	902	644	712	755	788	815	852	980	1161	1284	1380	1461	1574	489	559	605	641	670	711	653	735	787	827	860	905
70,000	80,000	701	790	848	893	929	980	702	776	824	860	889	929	1053	1246	1378	1481	1567	1689	531	606	657	695	727	771	710	798	855	898	933	982
80,000	90,000	754	849	911	959	998	1052	757	836	887	926	957	1000	1121	1326	1466	1575	1666	1794	570	651	705	746	780	827	762	857	918	964	1002	1054
90,000	100,000	804	905	972	1022	1063	1121	809	894	948	990	1023	1069	1185	1401	1548	1663	1759	1894	608	694	751	794	830	880	812	913	978	1027	1067	1122
100,000	120,000	871	980	1051	1106	1150	1212	879	970	1030	1074	1110	1160	1270	1500	1657	1780	1882	2026	657	750	811	858	897	951	879	987	1057	1110	1154	1213
120,000	140,000	964	1084	1162	1222	1271	1338	975	1077	1142	1191	1231	1286	1386	1636	1805	1938	2049	2205	726	828	895	947	989	1048	971	1090	1167	1226	1273	1339
140,000	160,000	1046	1175	1260	1324	1377	1450	1061	1171	1241	1295	1338	1398	1487	1754	1935	2077	2195	2361	787	897	969	1025	1070	1134	1052	1180	1264	1327	1378	1449
160,000	180,000	1128	1267	1358	1427	1483	1561	1147	1265	1342	1399	1446	1510	1588	1871	2063	2214	2339	2516	849	966	1043	1103	1152	1220	1133	1271	1361	1429	1484	1560
180,000	200,000	1203	1350	1447	1520	1580	1663	1225	1351	1433	1494	1544	1612	1679	1977	2179	2338	2470	2656	904	1028	1111	1174	1226	1298	1206	1353	1449	1521	1580	1660
200,000 or more		1585	1775	1899	1994	2071	2178	1624	1790	1896	1977	2042	2132	2131	2501	2754	2951	3115	3346	1187	1346	1452	1533	1600	1693	1579	1769	1893	1986	2063	2168

(Continued on next page)

2008 Optional State and Certain Local Sales Tax Tables *(Continued)*

Income		Nevada[2] 6.5000%						New Jersey[4] 7.0000%						New Mexico 5.0000%						New York 4.0000%						North Carolina[3] 4.3128%					
At least	But less than	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5
$0	$20,000	238	270	290	306	319	337	239	266	283	296	306	321	221	249	266	280	291	306	140	156	166	173	180	188	197	230	253	270	285	305
20,000	30,000	401	453	487	513	535	564	410	455	484	505	523	547	370	415	445	467	485	510	239	265	282	295	306	320	319	372	408	435	458	490
30,000	40,000	487	550	591	622	648	683	502	555	590	616	638	667	448	503	538	564	586	616	292	324	344	360	372	390	382	445	487	520	547	585
40,000	50,000	563	635	682	717	747	787	581	643	683	714	738	772	516	578	619	649	674	708	338	375	398	416	431	451	436	508	556	593	623	666
50,000	60,000	632	712	764	804	836	881	654	724	768	802	830	867	577	647	692	726	754	792	380	421	447	467	484	506	485	564	617	658	692	739
60,000	70,000	695	783	840	883	919	968	721	798	847	884	914	955	634	710	760	797	827	869	419	464	493	515	533	557	530	616	673	718	755	806
70,000	80,000	756	850	912	959	997	1051	786	868	922	962	995	1039	688	770	823	864	896	942	456	505	536	560	579	606	573	665	727	774	814	869
80,000	90,000	813	914	980	1030	1071	1128	846	934	992	1035	1070	1118	738	826	883	926	961	1009	490	543	577	602	623	651	612	710	776	827	869	928
90,000	100,000	867	974	1044	1097	1141	1201	903	998	1058	1104	1142	1193	785	879	940	986	1023	1074	523	579	615	642	664	695	650	753	823	877	921	983
100,000	120,000	938	1054	1129	1187	1234	1299	979	1081	1147	1197	1237	1292	848	950	1015	1064	1104	1159	567	627	666	696	719	752	699	810	885	942	990	1057
120,000	140,000	1038	1165	1247	1311	1362	1433	1085	1197	1270	1325	1369	1430	936	1047	1118	1173	1217	1277	628	694	737	770	796	832	768	889	970	1033	1084	1157
140,000	160,000	1126	1262	1352	1420	1475	1552	1178	1300	1378	1438	1486	1552	1012	1132	1210	1268	1316	1381	682	754	800	835	863	902	827	957	1044	1112	1167	1245
160,000	180,000	1214	1361	1456	1529	1589	1671	1272	1403	1487	1551	1603	1674	1089	1218	1301	1363	1414	1485	736	813	863	900	931	973	887	1026	1119	1190	1250	1333
180,000	200,000	1295	1450	1552	1629	1692	1779	1357	1497	1586	1654	1709	1785	1159	1295	1383	1450	1504	1579	785	867	920	960	992	1037	941	1088	1186	1262	1324	1412
200,000 or more		1704	1904	2035	2134	2216	2328	1792	1973	2090	2178	2250	2348	1510	1686	1800	1886	1956	2052	1034	1141	1210	1262	1304	1362	1213	1398	1522	1618	1697	1808

Income		North Dakota 5.0000%						Ohio 5.5000%						Oklahoma 4.5000%						Pennsylvania 6.0000%						Rhode Island 7.0000%					
$0	$20,000	180	207	224	238	250	266	214	242	260	273	284	299	225	269	299	323	343	372	195	219	235	247	257	270	230	259	279	293	305	322
20,000	30,000	305	348	377	400	419	445	363	409	438	460	479	504	360	428	475	512	543	587	331	371	397	416	432	455	376	423	453	476	495	522
30,000	40,000	372	423	458	485	507	539	442	497	532	559	581	612	430	510	565	608	645	696	403	451	482	506	525	552	452	507	543	570	593	624
40,000	50,000	430	489	528	559	585	621	511	574	614	645	671	705	490	580	642	691	732	790	466	520	556	584	606	637	518	580	621	652	677	712
50,000	60,000	483	548	592	627	655	695	573	643	689	724	752	791	544	643	711	765	810	874	523	584	624	654	679	713	577	646	691	725	753	792
60,000	70,000	531	603	651	689	720	763	631	708	758	796	826	869	594	700	774	832	881	950	576	642	686	719	747	784	632	706	755	792	823	865
70,000	80,000	578	655	707	748	781	828	686	769	823	864	898	944	641	755	834	896	948	1022	626	698	745	781	811	851	683	763	816	856	888	934
80,000	90,000	622	704	760	803	839	889	738	826	884	928	964	1013	685	805	889	955	1010	1088	673	750	801	839	871	914	731	816	872	915	950	998
90,000	100,000	663	751	810	856	893	946	787	881	943	989	1027	1080	726	853	941	1011	1069	1151	718	800	854	895	928	974	777	867	926	971	1008	1059
100,000	120,000	719	813	876	925	966	1023	852	954	1020	1070	1111	1168	781	916	1010	1084	1146	1234	777	866	924	968	1004	1054	837	934	997	1045	1084	1139
120,000	140,000	795	898	968	1022	1066	1129	942	1054	1127	1182	1227	1290	856	1003	1105	1185	1253	1348	859	957	1021	1069	1109	1163	920	1026	1094	1147	1190	1249
140,000	160,000	863	974	1049	1107	1155	1222	1021	1143	1221	1281	1330	1397	922	1079	1188	1274	1346	1448	932	1037	1106	1158	1201	1260	994	1106	1180	1236	1282	1346
160,000	180,000	931	1050	1130	1192	1244	1316	1101	1231	1316	1380	1432	1504	988	1155	1271	1362	1438	1547	1005	1118	1192	1248	1294	1357	1067	1187	1265	1325	1374	1442
180,000	200,000	993	1119	1204	1270	1324	1400	1174	1312	1402	1470	1526	1602	1048	1224	1345	1441	1522	1636	1071	1191	1270	1329	1378	1445	1133	1260	1343	1406	1458	1530
200,000 or more		1309	1470	1579	1663	1733	1830	1542	1721	1838	1926	1998	2097	1349	1568	1719	1839	1939	2081	1408	1563	1664	1741	1804	1890	1466	1627	1732	1811	1877	1967

Income		South Carolina 6.0000%						South Dakota 4.0000%						Tennessee 7.0000%						Texas 6.2500%						Utah 4.6500%					
$0	$20,000	227	256	275	289	301	318	223	266	295	318	337	365	353	417	460	494	522	562	246	281	304	322	337	357	224	263	289	309	326	349
20,000	30,000	385	433	465	489	509	536	353	420	465	501	530	572	567	667	735	788	832	894	417	476	515	544	569	603	363	424	465	497	523	560
30,000	40,000	468	527	566	595	619	651	419	497	551	592	627	676	677	795	875	938	989	1062	507	578	625	661	691	732	434	507	555	593	624	667
40,000	50,000	541	609	653	687	714	752	476	564	624	671	710	765	772	905	996	1066	1125	1207	586	668	722	763	797	844	496	578	633	675	711	760
50,000	60,000	608	684	733	771	801	843	526	623	689	741	784	845	857	1005	1104	1182	1246	1336	657	749	809	856	894	946	552	642	703	750	789	843
60,000	70,000	669	752	806	848	881	927	573	678	749	805	851	917	935	1095	1203	1287	1357	1455	723	824	890	941	982	1040	603	701	767	818	860	919
70,000	80,000	727	818	876	921	957	1007	616	729	805	865	915	985	1009	1180	1296	1386	1461	1566	786	895	967	1022	1067	1129	651	756	827	882	927	991
80,000	90,000	782	879	942	989	1028	1082	657	776	857	920	973	1048	1078	1260	1383	1478	1558	1669	844	961	1038	1097	1146	1213	696	808	883	941	990	1057
90,000	100,000	834	937	1004	1055	1096	1153	695	821	906	973	1029	1107	1143	1335	1465	1566	1650	1767	900	1025	1107	1169	1221	1292	739	857	936	998	1049	1120
100,000	120,000	903	1014	1086	1141	1186	1247	745	879	971	1042	1101	1185	1229	1434	1573	1681	1770	1896	974	1109	1197	1265	1320	1397	795	922	1007	1073	1127	1203
120,000	140,000	999	1121	1201	1261	1310	1378	814	960	1059	1137	1201	1292	1347	1570	1721	1839	1936	2073	1077	1225	1322	1397	1458	1542	873	1011	1103	1175	1234	1318
140,000	160,000	1083	1215	1301	1367	1420	1493	874	1030	1136	1219	1288	1385	1451	1690	1851	1977	2081	2228	1167	1327	1432	1513	1579	1670	941	1089	1188	1265	1328	1417
160,000	180,000	1168	1310	1402	1472	1529	1608	934	1100	1213	1301	1374	1477	1554	1809	1981	2115	2226	2382	1258	1430	1543	1629	1700	1798	1009	1167	1272	1354	1422	1517
180,000	200,000	1245	1396	1494	1569	1629	1713	988	1163	1282	1375	1452	1561	1648	1917	2098	2239	2356	2521	1340	1523	1643	1735	1810	1915	1071	1237	1349	1435	1507	1607
200,000 or more		1636	1832	1959	2056	2134	2243	1258	1477	1625	1741	1837	1973	2118	2456	2684	2861	3008	3214	1756	1994	2150	2269	2367	2502	1381	1591	1731	1841	1931	2057

Income		Vermont 6.0000%						Virginia 4.0000%						Washington 6.5000%						West Virginia 6.0000%						Wisconsin 5.0000%					
$0	$20,000	141	156	166	173	179	188	158	187	206	222	234	252	254	288	310	327	341	360	289	338	370	395	416	445	203	229	246	259	270	284
20,000	30,000	237	262	278	290	299	313	255	299	329	353	372	400	431	487	524	552	575	607	470	546	597	637	670	716	343	387	415	437	454	479
30,000	40,000	288	317	336	351	362	378	305	357	392	420	443	475	525	593	637	671	699	737	563	653	714	761	800	854	417	470	504	530	551	580
40,000	50,000	333	366	387	404	417	435	348	407	447	478	504	540	606	684	736	774	806	850	643	746	815	868	912	973	482	542	582	611	636	669
50,000	60,000	373	410	434	452	467	487	387	452	495	530	558	598	681	768	825	868	904	953	716	829	905	964	1012	1080	540	608	652	685	712	750
60,000	70,000	410	450	476	496	512	535	423	493	540	577	608	651	750	845	907	955	994	1048	782	905	988	1052	1104	1178	594	668	716	753	783	824
70,000	80,000	446	489	517	538	556	580	456	531	582	622	655	701	815	918	986	1037	1079	1138	845	978	1066	1135	1191	1271	645	726	778	817	850	894
80,000	90,000	479	525	555	578	596	622	488	568	622	664	699	748	876	987	1059	1114	1159	1222	904	1045	1139	1212	1272	1356	693	779	835	878	912	960
90,000	100,000	510	559	591	615	635	662	518	602	659	703	740	792	934	1052	1129	1188	1236	1302	959	1108	1208	1285	1349	1438	739	830	890	935	972	1022
100,000	120,000	552	605	639	665	686	715	558	647	708	756	795	850	1012	1139	1222	1285	1337	1408	1033	1192	1299	1381	1450	1545	799	898	962	1011	1050	1105
120,000	140,000	610	668	705	734	757	789	613	710	776	827	870	930	1119	1259	1350	1420	1476	1555	1134	1308	1424	1514	1588	1692	883	991	1062	1116	1159	1219
140,000	160,000	661	723	764	794	819	853	661	765	836	890	936	1000	1214	1365	1463	1538	1600	1684	1223	1409	1534	1630	1710	1821	956	1074	1150	1208	1255	1320
160,000	180,000	713	779	822	855	882	918	709	820	895	953	1002	1070	1309	1471	1577	1657	1723	1814	1312	1511	1644	1746	1831	1950	1030	1156	1238	1300	1351	1421
180,000	200,000	759	830	875	910	938	977	753	870	949	1010	1062	1133	1395	1567	1680	1765	1835	1932	1392	1602	1743	1851	1941	2066	1097	1231	1318	1384	1438	1512
200,000 or more		996	1086	1145	1189	1225	1275	974	1120	1219	1296	1360	1450	1834	2057	2202	2313	2404	2529	1797	2062	2239	2376	2490	2648	1436	1610	1723	1809	1878	1974

Income		Wyoming 4.0000%					
$0	$20,000	152	172	185	195	203	215
20,000	30,000	259	293	315	331	345	364
30,000	40,000	316	357	383	403	420	443
40,000	50,000	366	413	443	466	485	511
50,000	60,000	412	464	498	524	545	574
60,000	70,000	454	511	548	576	600	632
70,000	80,000	494	556	596	627	652	687
80,000	90,000	531	597	641	674	701	738
90,000	100,000	567	637	683	719	747	787
100,000	120,000	614	690	740	778	809	852
120,000	140,000	680	764	819	861	895	942
140,000	160,000	738	829	888	933	970	1021
160,000	180,000	797	894	958	1006	1046	1100
180,000	200,000	850	953	1021	1073	1115	1173
200,000 or more		1120	1255	1342	1409	1464	1539

Note. Alaska does not have a state sales tax. Alaska residents should follow the instructions on the next page to determine their local sales tax amount.

1 The California table includes the 1% uniform local sales tax rate in additon to the 6.25% state sales tax rate.
2 The Nevada table includes the 2.25% uniform local sales tax rate in addition to the 4.25% state sales tax rate.
3 The rates for Indiana, Iowa, Maryland, and North Carolina increased during 2008, so the rate given is averaged over the year.
4 Residents of Salem County should deduct only half of the amount in the state table.

Which Optional Local Sales Tax Table Should I Use?

IF you live in the state of...	AND you live in...	THEN use Local Table...
Alaska	Any locality	C
Arizona	Glendale, Mesa, Phoenix, or Tucson	A
	Chandler, Gilbert, Peoria, Scottsdale, Tempe, Yuma, or any other locality	C
Arkansas	Any locality	B
California	Los Angeles County	A
Colorado	Aurora, Fort Collins, Greeley, Jefferson County, Lakewood, or Longmont	B
	Arvada, City of Boulder, Thornton, or Westminster	C
	Adams County, Arapahoe County, Boulder County, Centennial, Colorado Springs, Denver City/Denver County, El Paso County, Larimer County, City of Pueblo, Pueblo County, or any other locality	A
Georgia	Any locality	B
Illinois	Any locality	A
Louisiana	Any other locality	B
	Ascension Parish, Bossier Parish, Caddo Parish, Calcasieu Parish, East Baton Rouge Parish, Iberia Parish, Jefferson Parish, Lafayette Parish, Lafourche Parish, Livingston Parish, Orleans Parish, Ouachita Parish, Rapides Parish, St. Bernard Parish, St. Landry Parish, St. Tammany Parish, Tanqipahoa Parish, or Terrebonne Parish	C
Missouri	Saint Charles County or Saint Louis County	A
	Saint Louis City or any other locality	B
New York	New York City, or one of the following counties: Albany, Allegany, Cattaraugus, Cayuga, Chemung, Clinton, Cortland, Erie, Essex, Franklin, Fulton, Genesee, Herkimer, Jefferson, Lewis, Livingston, Monroe, Montgomery, Nassau, Niagara, Oneida, Onondaga, Ontario, Orange, Orleans, Oswego, Otsego, Putnam, Rensselaer, Rockland, St. Lawrence, Saratoga, Schenectady, Schoharie, Seneca, Steuben, Suffolk, Sullivan, Tompkins, Ulster, Warren, Washington, Westchester, Wyoming, or Yates	A
	Any other locality	D
North Carolina	Any locality	A
South Carolina	Cherokee, Chesterfield, Darlington, Jasper, Lee, or Lexington	A
	Any other locality	B
Tennessee	Any locality	B
Utah	Any locality	A
Virginia	Any locality	B

2008 Optional Local Sales Tax Tables for Certain Local Jurisdictions

(Based on a local sales tax rate of 1 percent)

Income		Local Table A						Local Table B						Local Table C						Local Table D					
		Exemptions						Exemptions						Exemptions						Exemptions					
At least	But less than	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5
$0	$20,000	37	42	46	49	52	55	48	57	64	69	74	80	54	65	72	77	82	89	35	39	42	43	45	47
20,000	30,000	60	69	75	80	84	90	75	89	99	107	114	123	85	101	112	121	128	138	60	66	71	74	77	80
30,000	40,000	72	83	90	96	101	107	88	105	117	126	134	145	101	120	132	142	151	162	73	81	86	90	93	98
40,000	50,000	83	95	103	110	115	122	100	119	132	143	151	164	114	135	150	161	170	183	85	94	100	104	108	113
50,000	60,000	92	106	115	122	128	136	111	132	146	157	167	180	127	150	165	178	188	202	95	105	112	117	121	127
60,000	70,000	101	116	126	134	140	149	120	143	158	170	181	195	138	163	179	193	204	219	105	116	123	129	133	139
70,000	80,000	109	126	136	144	151	161	129	153	170	183	194	209	148	175	193	207	219	235	114	126	134	140	145	152
80,000	90,000	117	134	146	155	162	172	138	163	181	194	206	222	158	186	205	220	233	250	123	136	144	151	156	163
90,000	100,000	125	143	155	164	172	182	146	172	191	205	217	235	167	197	217	233	246	264	131	145	154	161	166	174
100,000	120,000	135	154	167	177	185	196	156	185	204	220	232	251	179	211	232	249	263	283	142	157	167	174	180	188
120,000	140,000	148	169	183	194	203	216	170	201	222	239	253	273	195	230	253	271	286	308	157	174	184	193	199	208
140,000	160,000	160	183	198	210	219	233	183	216	238	256	271	292	210	246	271	291	307	330	171	189	200	209	216	226
160,000	180,000	172	196	212	225	235	249	196	230	254	273	289	311	224	263	290	310	327	352	184	203	216	225	233	243
180,000	200,000	183	209	226	239	250	265	207	244	269	288	305	328	237	278	306	328	346	371	196	217	230	240	248	259
200,000 or more		239	271	292	309	323	342	264	309	340	365	385	414	302	353	388	415	437	469	259	285	303	316	326	341

Instructions for Schedule B, Interest and Ordinary Dividends

Use Schedule B (Form 1040) if any of the following applies.

- You had over $1,500 of taxable interest.
- Any of the *Special Rules* listed in the instructions for line 1 apply to you.
- You are claiming the exclusion of interest from series EE or I U.S. savings bonds issued after 1989.
- You had over $1,500 of ordinary dividends.
- You received ordinary dividends as a nominee.
- You had a foreign account or you received a distribution from, or were a grantor of, or transferor to, a foreign trust. Part III of the schedule has questions about foreign accounts and trusts.

You can list more than one payer on each entry space for lines 1 and 5, but be sure to clearly show the amount paid next to the payer's name. Add the separate amounts paid by the payers listed on an entry space and enter the total in the "Amount" column. If you still need more space, attach separate statements that are the same size as the printed schedule. Use the same format as lines 1 and 5, but show your totals on Schedule B. Be sure to put your name and social security number (SSN) on the statements and attach them at the end of your return.

Part I. Interest

Line 1

Interest

Report on line 1 all of your taxable interest. Taxable interest should be shown on your Forms 1099-INT, Forms 1099-OID, or substitute statements. Include interest from series EE, H, HH, and I U.S. savings bonds. List each payer's name and show the amount. Do not report on this line any tax-exempt interest from box 8 or box 9 of Form 1099-INT. Instead, report the amount from box 8 on line 8b of Form 1040. If an amount is shown in box 9 of Form 1099-INT, you generally must report it on line 12 of Form 6251. See the instructions for Form 6251 for more details.

Special Rules

Seller-Financed Mortgages

If you sold your home or other property and the buyer used the property as a personal residence, list first any interest the buyer paid you on a mortgage or other form of seller financing. Be sure to show the buyer's name, address, and SSN. You must also let the buyer know your SSN. If you do not show the buyer's name, address, and SSN, or let the buyer know your SSN, you may have to pay a $50 penalty.

Nominees

If you received a Form 1099-INT that includes interest you received as a nominee (that is, in your name, but the interest actually belongs to someone else), report the total on line 1. Do this even if you later distributed some or all of this income to others. Under your last entry on line 1, put a subtotal of all interest listed on line 1. Below this subtotal, enter "Nominee Distribution" and show the total interest you received as a nominee. Subtract this amount from the subtotal and enter the result on line 2.

If you received interest as a nominee, you must give the actual owner a Form 1099-INT unless the owner is your spouse. You must also file a Form 1096 and a Form 1099-INT with the IRS. For more details, see the General Instructions for Forms 1099, 1098, 5498, and W-2G *and the* Instructions for Forms 1099-INT and 1099-OID.

Accrued Interest

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

Original Issue Discount (OID)

If you are reporting OID in an amount less than the amount shown on Form 1099-OID, follow the rules earlier under *Nominees* to see how to report the OID on Schedule B. But identify the amount to be subtracted as "OID Adjustment."

Amortizable Bond Premium

If you are reducing your interest income on a bond by the amount of amortizable bond premium, follow the rules earlier under *Nominees* to see how to report the interest on Schedule B. But identify the amount to be subtracted as "ABP Adjustment."

Line 3

Excludable Interest on Series EE and I U.S. Savings Bonds Issued After 1989

If, during 2008, you cashed series EE or I U.S. savings bonds issued after 1989 and you paid qualified higher education expenses for yourself, your spouse, or your dependents, you may be able to exclude part or all of the interest on those bonds. See Form 8815 for details.

Part II. Ordinary Dividends

You may have to file Form 5471 if, in 2008, you were an officer or director of a foreign corporation. You may also have to file Form 5471 if, in 2008, you owned 10% or more of the total (a) value of a foreign corporation's stock, or (b) combined voting power of all classes of a foreign corporation's stock with voting rights. For details, see Form 5471 and its instructions.

Line 5

Ordinary Dividends

Report on line 5 all of your ordinary dividends. This amount should be shown in box 1a of your Forms 1099-DIV or substitute statements. List each payer's name and show the amount.

Nominees

If you received a Form 1099-DIV that includes ordinary dividends you received as a nominee (that is, in your name, but the ordinary dividends actually belong to someone else), report the total on line 5. Do this even if you later distributed some or all of this income to others. Under your last entry on line 5, put a subtotal of all ordinary dividends listed on line 5. Below this subtotal, enter "Nominee Distribution" and show the total ordinary dividends you received as a nominee. Subtract this amount from the subtotal and enter the result on line 6.

If you received dividends as a nominee, you must give the actual owner a Form 1099-DIV unless the owner is your spouse. You must also file a Form 1096 and a Form 1099-DIV with the IRS. For more details, see the General Instructions for Forms 1099, 1098, 5498, and W-2G *and the* Instructions for Form 1099-DIV.

Part III. Foreign Accounts and Trusts

Lines 7a and 7b

Foreign Accounts

Line 7a

Check the "Yes" box on line 7a if either (1) or (2) below applies.

1. You own more than 50% of the stock in any corporation that owns one or more foreign bank accounts.
2. At any time during 2008 you had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).

For line 7a, item (2) does not apply to foreign securities held in a U.S. securities account.

Exceptions. Check the "No" box if any of the following applies to you.

- The combined value of the accounts was $10,000 or less during the whole year.
- The accounts were with a U.S. military banking facility operated by a U.S. financial institution.
- You were an officer or employee of a commercial bank that is supervised by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation; the account was in your employer's name; and you did not have a personal financial interest in the account.
- You were an officer or employee of a domestic corporation with securities listed on national securities exchanges or with assets of more than $10 million and 500 or more shareholders of record; the account was in your employer's name; you did not have a personal financial interest in the account; and the corporation's chief financial officer has given you written notice that the corporation has filed a current report that includes the account.

See Form TD F 90-22.1 to find out if you are considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account). You can get Form TD F 90-22.1 by visiting the IRS website at *www.irs.gov/pub/irs-pdf/f90221.pdf.*

If you checked the "Yes" box on line 7a, file Form TD F 90-22.1 by June 30, 2009, with the Department of the Treasury at the address shown on that form. Do not attach it to Form 1040.

CAUTION

If you are required to file Form TD F 90-22.1 but do not do so, you may have to pay a penalty of up to $10,000 (more in some cases).

Line 7b

If you checked the "Yes" box on line 7a, enter the name of the foreign country or countries in the space provided on line 7b. Attach a separate statement if you need more space.

Line 8

Foreign Trusts

If you received a distribution from a foreign trust, you must provide additional information. For this purpose, a loan of cash or marketable securities generally is considered to be a distribution. See Form 3520 for details.

If you were the grantor of, or transferor to, a foreign trust that existed during 2008, you may have to file Form 3520.

Do not attach Form 3520 to Form 1040. Instead, file it at the address shown in its instructions.

If you were treated as the owner of a foreign trust under the grantor trust rules, you are also responsible for ensuring that the foreign trust files Form 3520-A. Form 3520-A is due on March 16, 2009, for a calendar year trust. See the instructions for Form 3520-A for more details.

Form **8822** (Rev. December 2008) Department of the Treasury Internal Revenue Service

Change of Address

▶ Please type or print.

▶ See instructions on back. ▶ Do not attach this form to your return.

OMB No. 1545-1163

Part I Complete This Part To Change Your Home Mailing Address

Check **all** boxes this change affects:

1 ☐ Individual income tax returns (Forms 1040, 1040A, 1040EZ, 1040NR, etc.)

▶ If your last return was a joint return and you are now establishing a residence separate from the spouse with whom you filed that return, check here . . . . ▶ ☐

2 ☐ Gift, estate, or generation-skipping transfer tax returns (Forms 706, 709, etc.)

▶ For Forms 706 and 706-NA, enter the decedent's name and social security number below.

▶ Decedent's name ▶ Social security number

3a Your name (first name, initial, and last name)	**3b Your social security number**
4a Spouse's name (first name, initial, and last name)	**4b Spouse's social security number**

5 Prior name(s). See instructions.

6a Old address (no., street, city or town, state, and ZIP code). If a P.O. box or foreign address, see instructions.	Apt. no.
6b Spouse's old address, if different from line 6a (no., street, city or town, state, and ZIP code). If a P.O. box or foreign address, see instructions.	Apt. no.
7 New address (no., street, city or town, state, and ZIP code). If a P.O. box or foreign address, see instructions.	Apt. no.

Part II Complete This Part To Change Your Business Mailing Address or Business Location

Check **all** boxes this change affects:

8 ☐ Employment, excise, income, and other business returns (Forms 720, 940, 940-EZ, 941, 990, 1041, 1065, 1120, etc.)

9 ☐ Employee plan returns (Forms 5500, 5500-EZ, etc.)

10 ☐ Business location

11a Business name	**11b Employer identification number**
12 Old mailing address (no., street, city or town, state, and ZIP code). If a P.O. box or foreign address, see instructions.	Room or suite no.
13 New mailing address (no., street, city or town, state, and ZIP code). If a P.O. box or foreign address, see instructions.	Room or suite no.
14 New business location (no., street, city or town, state, and ZIP code). If a foreign address, see instructions.	Room or suite no.

Part III Signature

Daytime telephone number of person to contact (optional) ▶ (   ) ______________

Sign Here

▶ Your signature ______ Date ______

▶ If joint return, spouse's signature ______ Date ______

▶ If Part II completed, signature of owner, officer, or representative ______ Date ______

▶ Title ______

Purpose of Form

You can use Form 8822 to notify the Internal Revenue Service if you changed your home or business mailing address or your business location. If this change also affects the mailing address for your children who filed income tax returns, complete and file a separate Form 8822 for each child. If you are a representative signing for the taxpayer, attach to Form 8822 a copy of your power of attorney.

Changing both home and business addresses? If you are, use a separate Form 8822 to show each change.

Prior Name(s)

If you or your spouse changed your name because of marriage, divorce, etc., complete line 5. Also, be sure to notify the Social Security Administration of your new name so that it has the same name in its records that you have on your tax return. This prevents delays in processing your return and issuing refunds. It also safeguards your future social security benefits.

Addresses

Be sure to include any apartment, room, or suite number in the space provided.

P.O. Box

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

Foreign Address

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

"In Care of" Address

If you receive your mail in care of a third party (such as an accountant or attorney), enter "C/O" followed by the third party's name and street address or P.O. box.

Signature

If you are completing Part I, the taxpayer, executor, donor, or an authorized representative must sign. If your last return was a joint return, your spouse must also sign (unless you have indicated by checking the box on line 1 that you are establishing a separate residence).

If you are completing Part II, an officer, owner, general partner or LLC member manager, plan administrator, fiduciary, or an authorized representative must sign. An officer is the president, vice president, treasurer, chief accounting officer, etc.

CAUTION *If you are a representative signing on behalf of the taxpayer, you must attach to Form 8822 a copy of your power of attorney. To do this, you can use Form 2848. The Internal Revenue Service will not complete an address change from an "unauthorized" third party.*

Where To File

Send this form to the Department of the Treasury, Internal Revenue Service Center, and the address shown next that applies to you. Generally, it takes 4 to 6 weeks to process your change of address.

Note. If you checked the box on line 2, or you checked the box on both lines 1 and 2, send this form to: Cincinnati, OH 45999-0023.

Filers Who Completed Part I (You checked the box on line 1 only)

IF your old home mailing address was in . . .	THEN use this address . . .
District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, Vermont	Andover, MA 05501-0023
Alabama, Florida, Georgia, North Carolina, South Carolina, Virginia	Atlanta, GA 39901-0023
Kentucky, Louisiana, Mississippi, Tennessee, Texas	Austin, TX 73301-0023
Alaska, Arizona, California, Colorado, Hawaii, Idaho, Illinois, Iowa, Kansas, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington, Wisconsin, Wyoming	Fresno, CA 93888-0023
Arkansas, Connecticut, Delaware, Indiana, Michigan, Missouri, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, West Virginia	Kansas City, MO 64999-0023
APO and FPO Addresses American Samoa Guam: Nonpermanent residents Puerto Rico (or if excluding income under Internal Revenue Code section 933) Virgin Islands: Nonpermanent residents Nonresident aliens and dual-status aliens Foreign country: U.S. citizens and those filing Form 2555, Form 2555-EZ, or Form 4563	Austin, TX 73301-0023 USA
Guam: Permanent residents	Department of Revenue and Taxation Government of Guam P.O. Box 23607 GMF, GU 96921
Virgin Islands: Permanent residents	V.I. Bureau of Internal Revenue 9601 Estate Thomas Charlotte Amalie St. Thomas, VI 00802

Filers Who Completed Part II

IF your old business address was in . . .	THEN use this address . . .
Connecticut, Delaware, District of Columbia, Georgia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, Wisconsin	Cincinnati, OH 45999-0023
Alabama, Alaska, Arizona, Arkansas, California, Colorado, Florida, Hawaii, Idaho, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wyoming, any place outside the United States	Ogden, UT 84201-0023

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. Our legal right to ask for information is Internal Revenue Code sections 6001 and 6011, which require you to file a statement with us for any tax for which you are liable. Section 6109 requires that you provide your social security number on what you file. This is so we know who you are, and can process your form and other papers.

Generally, tax returns and return information are confidential, as required by section 6103. However, we may give the information to the Department of Justice and to other federal agencies, as provided by law. We may give it to cities, states, the District of Columbia, and U.S. commonwealths or possessions to carry out their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

The use of this form is voluntary. However, if you fail to provide the Internal Revenue Service with your current mailing address, you may not receive a notice of deficiency or a notice and demand for tax. Despite the failure to receive such notices, penalties and interest will continue to accrue on the tax deficiencies.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is 16 minutes.

If you have comments concerning the accuracy of this time estimate or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the form to this address. Instead, see *Where To File* on this page.

Internal Revenue Service
NDC
2402 East Empire
Bloomington, IL 61799