Department of the Treasury

**Internal Revenue Service**

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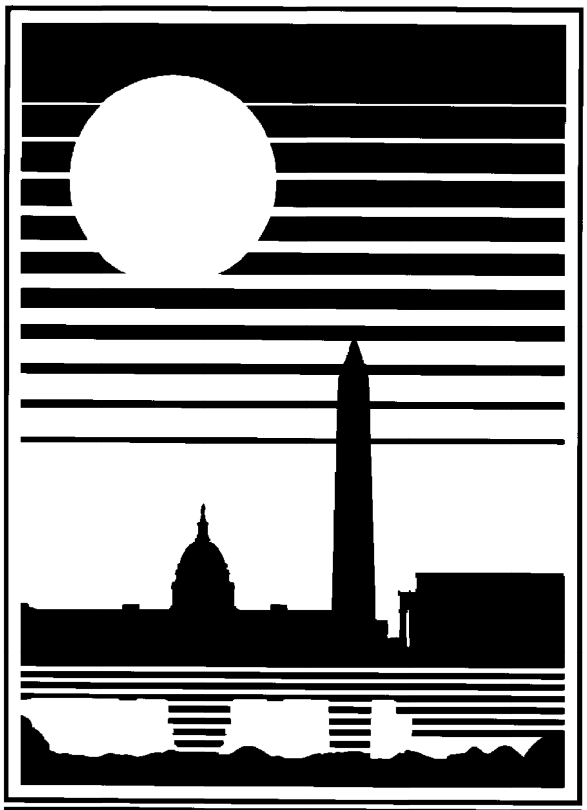
# Tax Highlights for Commercial Fishermen

For use in preparing

**1996** Returns



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## Contents



## Important Change for 1996

**Certain fishermen considered self-employed.** Individuals working on a fishing boat that normally has an operating crew of fewer than 10 individuals may be considered self-employed.

The following two law changes have made it easier for these fishermen to be considered self-employed.

1) An operating crew is considered to be normally made up of fewer than 10 individuals if the average number of crew members on trips made during the last 4 calendar quarters was less than 10.

2) A fisherman may be considered self-employed even if he receives a cash payment that is not from his share of the proceeds from the sale of the catch. The additional cash payment must be:

   a) Not more than $100 per trip,

   b) Paid only if there is some minimum catch, and

   c) Paid solely for additional duties (such as mate, engineer, or cook) for which additional cash payments are traditional in the fishing industry.

These changes generally apply to payments made after 1984. However, they do not apply to payments made before 1995 if the payments were treated as subject to social security and Medicare taxes. For more information, see *Certain fishermen considered self-employed* under *Form 1099–MISC,* later.

***Refund of tax.*** If you, as the employer, paid employment taxes on payments that were made in 1995 or 1996 to fishermen who are now considered self-employed, you may file a claim for refund and repay amounts incorrectly withheld from these fishermen. See Publication 15, *Circular E, Employer's Tax Guide,* for instructions on filing this claim.

# Important Dates for 1997

This section highlights important due dates for fishermen for the 1997 calendar year. For other important dates, see Publication 509, *Tax Calendars for 1997.*

**By January 15.** If at least two-thirds of your gross income for either 1995 or 1996 was from fishing, you may want to pay at least two-thirds of your 1996 tax by this date. This will allow you to wait until April 15 to file your 1996 Form 1040 and pay the rest of the tax without penalty. See *By March 3* if you do not pay two-thirds of your tax by this date.

**By January 31.** Fishing boat operators must give a 1996 Form 1099–MISC, *Miscellaneous Income,* to certain crew members who were self-employed.

**By February 28.** Use Form 1096, *Annual Summary and Transmittal of U.S. Information Returns,* to send Copy A of Forms 1099–MISC to IRS.

**By March 3.** If at least two-thirds of your gross income for either 1995 or 1996 was from fishing, you can file your 1996 Form 1040 by March 3 and pay your tax in full without penalty.

**By April 15.** If you have not filed your Form 1040, you should file it by April 15 and pay your tax in full. If you need more time to file, you can request an extension of time to file with Form 4868, *Application for Automatic Extension of Time To File U.S. Individual Income Tax Return.*

# Introduction

This publication highlights some special tax rules that may apply to individuals who have their own fishing trade or business. These individuals include:

1) Fishing boat owners or operators who use their boats to fish for profit,
2) Certain fishermen who work for a share of the catch, and
3) Other individuals who receive gross income from fishing.

These individuals will generally report their profit or loss from fishing on Schedule C or Schedule C–EZ of Form 1040. An example with a filled-in Schedule C shown near the end of this publication provides details on how to complete this form.

This publication does not contain all of the tax rules that may apply to your fishing trade or business. For general information about the federal tax laws that apply to individuals who file Schedule C or C–EZ, see Publication 334, *Tax Guide for Small Business.* If your trade or business is a partnership or corporation, see Publication 541, *Partnerships,* or Publication 542, *Corporations.*

RECORDS

If you are just starting out in a fishing business or you need information on keeping books and records, also see Publication 583, *Starting a Business and Keeping Records.*

Please note that the term ''fisherman'' is used in this publication because it is the commonly accepted term in the fishing industry. In the following discussions, it represents both men and women.

## Useful Items

You may want to see:

**Publication**

☐ **15** Employer's Tax Guide

☐ **15–A** Supplemental Employer's Tax Guide

☐ **334** Tax Guide for Small Business

☐ **378** Fuel Tax Credits and Refunds

☐ **463** Travel, Entertainment, Gift, and Car Expenses

☐ **505** Tax Withholding and Estimated Tax

☐ **533** Self-Employment Tax

☐ **535** Business Expenses

☐ **583** Starting a Business and Keeping Records

☐ **946** How To Depreciate Property

**Form (and Instructions)**

☐ **Schedule C (Form 1040)** Profit or Loss From Business

☐ **Schedule C–EZ (Form 1040)** Net Profit From Business

☐ **1040–ES** Estimated Tax for Individuals

☐ **1099–MISC** Miscellaneous Income

☐ **2210–F** Underpayment of Estimated Tax by Farmers and Fishermen

☐ **4136** Credit for Federal Tax Paid on Fuels

☐ **8849** Claim for Refund of Excise Taxes

See *How To Get More Information,* near the end of this publication, for information about getting these publications and forms.

# What Is Gross Income From Fishing?

You will generally figure your gross income from fishing in Part I of Schedule C (Form 1040). For more information on Schedule C, see *Schedule C (Form 1040)* under *What Forms Must You File?,* later.

Gross income from fishing includes amounts you receive from catching, taking, harvesting, cultivating, or farming any kind of:

1) Fish,
2) Shellfish (such as clams and mussels),
3) Crustacean (such as lobsters, crabs, and shrimp),
4) Sponge,
5) Seaweed, or
6) Other aquatic form of animal or vegetable life.

**Wages.** Wages you receive as an employee in a fishing business are not gross income from fishing. This includes wages you receive from a corporation even if you are a shareholder in the corporation. If all or most of your income is from wages as an employee, your employer is usually required to withhold income tax from your wages. You may also have to make estimated tax payments if you do not have enough tax withheld. For more information, see Publication 505.

If you work on a boat with an operating crew that is normally made up of fewer than 10 individuals, you may be considered a self-employed individual instead of an employee. As a self-employed individual you may receive gross income from fishing. For more information, see *Certain fishermen considered self-employed* under *Form 1099–MISC,* later.

**Patronage dividends.** Include patronage dividends you receive from your fishing business activities in your gross income from fishing.

**Fuel tax credits and refunds.** You may have to include fuel tax credits and refunds you receive from your fishing business activities in your gross income from fishing. For more information, see *Including the Credit or Refund in Income* under *How Do You Claim Fuel Tax Credits and Refunds?,* later.

# Which Fishing Expenses Can You Deduct?

You can generally deduct your ordinary and necessary fishing expenses as business expenses in Part II of the Schedule C (Form 1040). An ***ordinary*** fishing expense is one that is common and accepted in a fishing trade or business. A ***necessary*** fishing expense is one that is helpful and appropriate for a fishing trade or business. An expense does not have to be indispensable to be considered necessary.

The following discussions give a brief overview of three types of business expenses that are of special interest to fishermen: depreciation, travel, and transportation expenses. Business expenses that are shared by most small businesses are listed in Part II of Schedule C. For more information on business expenses, see Publication 535. You may also find general information on specific business expenses in Publication 334.

Table 12-1. **Employment Tax Treatment of Fishing and Related Activities**

| Activity | Income Tax Withholding | Social Security and Medicare Taxes | Federal Unemployment Tax (FUTA) |
|---|---|---|---|
| **a. Catching salmon or hailbut.** | Withhold unless *c.* applies. | Taxable unless *c.* applies. | Taxable unless *c.* applies. |
| **b. Catching other fish, sponges, etc.** | Withhold unless *c.* applies. | Taxable unless *c.* applies. | Taxable if vessel is more than 10 net tons and *c.* does not apply. |
| **c. Individual is considered self-employed** (see *Certain fishermen considered self-employed,* below). | Exempt | Exempt | Exempt |
| **d. Native Americans exercising fishing rights.** | Exempt | Exempt | Exempt |

## Depreciation

If property you acquire to use in your business has a useful life of more than one year, you generally cannot deduct the entire cost as a business expense in the year you acquire it. You must spread the cost over more than one tax year and deduct part of it each year. This method of deducting the cost of business property is called depreciation.

Publication 946 contains the rules you will use to depreciate certain property you use in your fishing business. The following list highlights items that are of special interest to fishermen.

- ***Fishing boats.*** You can generally depreciate a fishing boat you have placed in service after 1986 in your fishing trade or business as 7-year property using MACRS depreciation.
- ***Nets, pots, and traps.*** You can generally depreciate a net, pot, or trap you have placed in service after 1986 in your fishing trade or business as 7-year property using MACRS depreciation. However, if based on your own experience, you determine that any of these items will not be used for more than one year in your business, you may be able to deduct the cost as a business expense.
- ***Repairs and replacements.*** If a repair or replacement increases the value of your property, makes it more useful, or lengthens its life, you must depreciate its cost. If the repair or replacement does not increase the value of your property, make it more useful, or lengthen its life, deduct the cost as a business expense.

## Travel and Transportation

This section briefly explains the rules for deducting travel and transportation expenses. For more information about travel and transportation expenses, see Publication 463. That publication also explains what records to keep.

**Local transportation expenses.** These are expenses you have while traveling from one workplace to another within the general area of your tax home. Generally, your ***tax home*** is your regular place of business, regardless of where you maintain your family home. It includes the entire city or general area in which your fishing business is located.

CAUTION *You **cannot*** deduct the costs of traveling between your home and your main or regular workplace. These costs are personal commuting expenses.

**Travel expenses.** These are expenses you have while traveling away from home for your business. You are traveling away from home if:

1) Your duties require you to be away from the general area of your tax home (defined earlier) substantially longer than an ordinary day's work, and
2) You need to get sleep or rest to meet the demands of your work while away from home.

***Meals.*** You can generally deduct the cost of food, beverages, taxes, and related tips only if you are traveling away from home. In general, you can deduct only 50% of your business-related meal expenses. However, this 50% limit does not apply to the expense for food or beverages you provide to crew members of certain commercial vessels if federal law requires the meals (or would require them if the vessel operated at sea).

# What Forms Must You File?

If you have a fishing trade or business, you may need to file the following forms.

## Schedule C (Form 1040)

Use Schedule C (Form 1040) to figure your net profit or loss from a fishing business you operate or a trade you practice as a self-employed individual. To figure your net profit or loss, you will subtract your deductible fishing expenses from your gross income from fishing. File Schedule C with your Form 1040. You may be able to use **Schedule C–EZ (Form 1040)** if you made a profit and had fishing expenses of $2,500 or less. For more information, see the Schedule C–EZ instructions.

**Self-employed individuals.** You are a self-employed individual if you own an unincorporated business or practice a trade by yourself. You do not have to carry on regular full-time business activities to be a self-employed individual. Your trade or business may consist of part-time work, including work you do on the side in addition to your regular job.

A ***trade or business*** is generally an activity that is your livelihood or that you do in good faith to make a profit. The facts and circumstances of each case determine whether or not an activity is a trade or business. Regularity of activities and transactions and the production of income are important elements. You do not need to actually make a profit to be in a trade or business as long as you have a profit motive. You do need, however, to make ongoing efforts to further the interests of your business.

If you work on a fishing boat and receive a share of the catch or proceeds from the sale of the catch, you may be considered a self-employed individual. For more information, see *Certain fishermen considered self-employed* under *Form 1099–MISC,* later.

**Husband and wife partners.** You and your spouse may operate a fishing business as a partnership. If you and your spouse join together in the conduct of a business and share in the profits and losses, you have created a partnership. You and your spouse must report the business income on a partnership return, Form 1065. For more information, see Publication 541, *Partnerships.*

However, if your spouse is not your partner, but your employee, you must pay employment taxes for him or her. For more information, see *Employment Tax Forms,* later.

CAUTION **Not-for-profit fishing.** *You must be fishing to make a profit for you to report your fishing income and expenses on Schedule C. You do not need to actually make a profit as long as you are making a good faith effort. If you are not fishing for profit, report your fishing income and expenses as explained under* Not-for-Profit Activities *in chapter 1 of Publication 535.*

## Schedule SE (Form 1040)

Use Schedule SE (Form 1040) to figure your self-employment tax (SE tax). Most fishermen can use *Short Schedule SE* (Section A) to figure their SE tax. You must file Schedule SE with your Form 1040 if you were self-employed and your net earnings from self-employment were $400 or more.

**TIP** *Even if you do not have to file Schedule SE, it may be to your benefit to file it and use an optional method in Part II of Section B. For more information, see* Optional methods, *later.*

**Self-employment tax.** The SE tax is a social security and Medicare tax for individuals who work for themselves. It is similar to the social security and Medicare taxes withheld from the pay of wage earners.

**Social security benefits.** Social security benefits are available to self-employed persons just as they are to wage earners. Your payments of SE tax contribute to your coverage under the social security system. Social security coverage provides you with retirement benefits, disability benefits, and medical insurance (Medicare) benefits.

You must be *insured* under the social security system before you begin receiving social security benefits. You are insured if you have the required number of quarters of coverage. A ''quarter of coverage '' means a period of 3 calendar months during which you were paid a certain amount of income subject to social security tax.

For 1996, you receive a quarter of social security coverage, up to four quarters, for each $640 ( $670 for 1997) of income subject to social security. Therefore, for 1996, if you had income of $2,560 that was subject to social security taxes (self-employment and wages), you will receive four quarters of coverage.

For an explanation of the number of quarters of coverage you must have to be insured, and of the benefits available to you and your family under the social security program, consult your nearest Social Security Administration office.

**Optional methods.** You can generally use one of the optional methods in Part II of Section B when you have a loss or a small amount of net income from self-employment and:

1) You want to receive credit for social security benefit coverage,
2) You incurred child or dependent care expenses for which you could claim a credit (this method will increase your earned income, which could increase your child or dependent care credit), or
3) You are entitled to the earned income credit (this method will increase your earned income, which could increase your earned income credit).

**Estimated tax.** You may have to pay estimated tax. This depends on how much income and SE taxes you expect for the year and how much of your income will be subject to withholding tax. The SE tax is treated, and collected, as part of the income tax. For more information, see *When Do Fishermen Pay Estimated Tax and File Returns?,* later.

**Reporting self-employment tax.** Figure your SE tax on Schedule SE. Then report the tax on line 45 of Form 1040, and attach Schedule SE to Form 1040. If you file a joint return, the tax is figured separately on the SE income of you and your spouse. However, you are both liable for the total SE tax due on the return.

***Self-employment tax deduction.*** You can deduct one-half of your SE tax as a business expense in figuring your adjusted gross income. This is an income tax adjustment only. It does not affect either your net earnings from self-employment or your SE tax.

To deduct the tax, enter on Form 1040, line 25, the amount shown on the ''Deduction for one-half of self-employment tax'' line of the Schedule SE.

**More information.** For more information on self-employment tax, see Publication 533.

## Form 1099–MISC

File Form 1099–MISC if you:

1) Pay a share of your catch (or a share of the proceeds from the sale of your catch) to an individual who is not your employee, ***or***
2) Pay at least $600 in rents, services, and other income payments in your fishing trade or business to an individual who is not your employee.

**Certain fishermen considered self-employed.** Certain fishermen who work on a fishing boat are considered to be self-employed. A fisherman is considered self-employed if he meets ***all*** of the following conditions:

1) He receives a share of the catch or a share of the proceeds from the sale of the catch,
2) His share depends on the size of the catch,
3) Any cash payments that are not part of his share of the proceeds from the sale of the catch are:
   a) Not more than $100 per trip,
   b) Paid only if there is some minimum catch, and
   c) Paid solely for additional duties (such as mate, engineer, or cook) for which additional cash payments are traditional in the fishing industry, and
4) He receives this share from a boat with an operating crew that is normally made up of fewer than 10 individuals. If the fishing operation involves more than one boat, the operating crew of each boat in the operation must meet this requirement. An operating crew is considered to be normally made up of fewer than 10 individuals if the average number of crew members on trips the boat made during the last 4 calendar quarters was less than 10.

***Example 1.*** You hire a captain, a mate, an engineer, a cook, and six other crew members to work on your fishing boat. The proceeds from the sale of the catch offset boat operating expenses such as bait, ice, and fuel. You divide 60% of the balance between the captain, the mate, and the crew members. You divide the other 40% between yourself and the captain. The mate, the engineer, and the cook also each receive an extra $100 for each trip that brings back a certain minimum catch. The crew members do not receive any additional pay between voyages, but they must do certain work, such as repairing nets, splicing cable, and transporting the catch.

For tax purposes, the captain, the mate, and the entire crew of the boat (including the mate, engineer, and cook) are considered self-employed individuals. You must file Form 1099–MISC to report amounts you pay to them.

***Example 2.*** The facts are the same as in Example 1 except that the mate, the engineer, the cook, and the other six crew members all receive an extra $100 for each trip that brings back a certain minimum catch.

For tax purposes, the captain, the mate, the engineer, and the cook are self-employed individuals. The other six crew members who receive this extra payment in addition to the proceeds from the sale of the catch are employees. They are employees because the $100 payment is not paid solely for additional duties for which additional cash pay is traditional in the fishing industry.

***Effective date for recent changes.*** The allowance for additional cash payments in (3) earlier and the clarification made in (4) generally apply to payments made after 1984. However, they do not apply to payments made before January 1, 1995, if payments made to the fisherman were treated as subject to social security and Medicare taxes.

***Refund of tax.*** If you, as the employer, paid employment taxes on payments that were made in 1995 or 1996 to fishermen who are now considered self-employed, you may file a claim for refund and repay amounts incorrectly withheld from these fishermen. See Publication 15 for instructions on filing this claim.

## Employment Tax Forms

If you have employees, you will need to file forms to report employment taxes. For more information, see Publication 15. That publication explains your tax responsibilities as an employer.

To help you determine whether the people working for you are your employees, get Publication 15–A. That publication has information to help you determine whether an individual is an independent contractor or an employee. If you incorrectly classify an employee as an independent contractor, you can be held liable for employment taxes for that worker plus a penalty. An ***independent contractor*** is someone who is self-employed. You do not generally have to withhold or pay any taxes on payments to an independent contractor.

Individuals you employ to work on a boat that normally has an operating crew of fewer than 10 individuals may be considered self-employed. For more information, see *Certain fishermen considered self-employed* under *Form 1099–MISC,* earlier.

**Table 595–1.** See Table 595–1, *Employment Tax Treatment of Fishing and Related Activities,* for information on the special employment tax treatment of fishing and related activities.

# When Do Fishermen Pay Estimated Tax and File Returns?

When you must pay estimated tax and file your return depends on whether you receive at least two-thirds of your total gross income from fishing in the current or prior year. ***Gross income is not the same as total income*** shown on line 22 of Form 1040.

## Gross Income

Your gross income is all income you receive in the form of money, property, and services that is not exempt from tax. On a joint return, you must add your spouse's gross income to your own gross income to determine if at least two-thirds of the total is from fishing. Your gross income from fishing for 1996 includes the total income (not loss) from:

1) Form 1040, lines 7, 8a, 9, 10, 11, 15b, 16b, 19, 20b, and 21.
2) Schedule C (Form 1040), line 7.
3) Schedule C–EZ (Form 1040), line 1.
4) Schedule D (Form 1040), column (g) of lines 7 and 16, less column (g) of lines 5 and 13, and any gain from Form 4797 reported in column (g) of line 12.
5) Schedule E (Form 1040), lines 3, 4, 36, and 38.
6) Form 4797, column (h) of lines 7 and 19.
7) Schedule K–1 (Form 1065), lines 15b and 15c (less any partnership amounts included in (1) through (7)).

Also add your pro rata share of S corporation gross income (less any S corporation amounts included in (1) through (7)).

## Gross Income From Fishing

Gross income from fishing includes:

1) Gross fishing income from line 7, Schedule C (Form 1040).
2) Gross fishing receipts from line 1, Schedule C–EZ (Form 1040).
3) Gross fishing income from Parts II and III, Schedule E (Form 1040). See the instructions for line 41.

## Percentage From Fishing

Total your gross income from all sources as shown earlier. Then total your gross income from fishing. Divide your fishing gross income by your total gross income to determine the percentage of gross income from fishing.

***Example 1.*** James Smith had the following total gross income and fishing gross income in 1996:

**Gross Income**

| | Total | Fishing |
|---|---|---|
| Taxable interest | $43,000 | |
| Dividends | 500 | |
| Rental income (Sch E) | 1,500 | |
| Fishing income (Sch C) | 75,000 | $75,000 |
| Schedule D | 5,000 | |
| Total | $125,000 | $75,000 |

Schedule D showed gains from the sale of a rental house carried over from Form 4797 ($5,000) in addition to losses from the sale of corporate stock ($2,000). Mr. Smith's fishing gross income is 60% of his total gross income ($75,000 ÷ $125,000 = .60). Therefore, he does not qualify to use special estimated tax and return due dates for 1996. However, he can still qualify if at least two-thirds of his gross income was from fishing in 1995.

***Example 2.*** The facts are the same as Example 1 except that Mr. Smith received only $23,000, instead of $43,000, taxable interest. This made his total gross income $105,000. He qualifies to use special estimated tax and return due dates since at least two-thirds of his gross income is from fishing [$75,000 ÷ $105,000 = .714 (71.4%)].

## Due Dates for Qualified Fisherman

If at least two-thirds of your gross income for 1995 or 1996 was from fishing, you have only one payment due date for 1996 estimated tax—January 15, 1997.

For your 1996 tax, you may either:

1) Pay all your estimated tax (figured on ***Form 1040–ES)*** by January 15, 1997, and file your Form 1040 by April 15, 1997, or
2) File your Form 1040 by March 3, 1997, and pay all the tax due. You are not required to make an estimated tax payment. If you pay all the tax due, you will not be penalized for failure to pay estimated tax.

TIP *If at least two-thirds of your total gross income for 1996 or 1997 is from fishing, for your 1997 tax, you may either:*

1) Pay all your estimated tax by January 15, 1998, and file your Form 1040 by April 15, 1998, or
2) File your Form 1040 by March 2, 1998, and pay all the tax due.

**Required annual payment.** If at least two-thirds of your gross income for 1995 or 1996 was from fishing, the required annual payment due January 15, 1997, is the ***smaller*** of:

1) 66⅔% (.6667) of your total tax for 1996, or
2) 100% of the total tax shown on your 1995 return. (The return must cover all 12 months.)

TIP *If at least two-thirds of your gross income for 1996 or 1997 is from fishing, the required annual payment due January 15, 1998, is the* ***smaller*** *of:*

1) 66⅔% (.6667) of your total tax for 1997, or
2) 100% of the total tax shown on your 1996 return. (The return must cover all 12 months.)

**Fiscal year.** If you qualify to use these special rules but your tax year does not start on January 1, you may file your return and pay the tax by the first day of the 3rd month after the close of your tax year. Or you may pay your required estimated tax within 15 days after the end of your tax year. Then file your return and pay any balance due by the 15th day of the 4th month after the end of your tax year.

## Due Dates for Nonqualified Fisherman

If less than two-thirds of your gross income for 1995 and 1996 was from fishing, you cannot use these special estimated tax payment and return due dates for your 1996 tax. In this case, you must generally make quarterly estimated tax payments on April 15, June 17, and September 16, 1996, and on January 15, 1997. You must file your return by April 15, 1997.

TIP *If less than two-thirds of your gross income for 1996 and 1997 is from fishing, you cannot use these special estimated tax payment and return due dates for your 1997 tax. In this case, you must generally make quarterly estimated tax payments on April 15, June 16, and September 15, 1997, and on January 15, 1998. You must file your return by April 15, 1998.*

For more information on estimated taxes, see Publication 505.

## Estimated Tax Penalty for 1996

If you did not pay all your required estimated tax for 1996 by January 15, 1997, and do not file your 1996 return and pay the tax by March 3, 1997, use **Form 2210–F,** *Underpayment of Estimated Tax by Farmers and Fishermen,* to determine if you owe a penalty. If you owe a penalty but do not file Form 2210–F with your return and pay the penalty, you will get a notice from the IRS. You should pay the penalty as instructed by the notice.

If you file your return by April 15 and pay the bill within 10 days after the notice date, the IRS will not charge you interest.

Occasionally, you may get a penalty notice even though you filed your return on time, attached Form 2210–F, and met the gross income test. If you receive a penalty notice for underpaying estimated tax that you think is in error, write to the address on the notice and explain why you think the notice is in error. Include a computation, similar to the one in Example 1, showing that you meet the gross income test. Do not ignore a penalty notice, even if you think it is in error.

## Other Filing Information for 1996

**Payment date on holiday or weekend.** If the last day for filing your return or making a payment falls on a Saturday, Sunday, or legal holiday, your return or payment will be on time if it is filed or made on the next business day.

**Automatic extension of time to file Form 1040.** If you do not choose to file your 1996 return by March 3, 1997, the due date for your return will be April 15, 1997. However, you can get an automatic 4-month extension of time to file your return. Your Form 1040 would then be due by August 15, 1997. To get this extension, file Form 4868, *Application for Automatic Extension of Time To File U.S. Individual Income Tax Return,* by April 15, 1997. Form 4868 does not extend the time to pay the tax. For more information, see the instructions for Form 4868.

CAUTION *This extension does not extend the March 3, 1997, filing date for fishermen who did not make an estimated tax payment and want to avoid an estimated tax penalty. Therefore, if you did not make an estimated tax payment by January 15, 1997, and you file your tax return after March 3, 1997, you will be subject to a penalty for underpaying your estimated tax, even if you file Form 4868.*

# What Is the Capital Construction Fund?

The Capital Construction Fund (CCF) is a special investment program administered by the National Marine Fisheries Service (NMFS) and the Internal Revenue Service (IRS). This program allows you, as a commercial fisherman, to enter into an agreement with the Secretary of Commerce to invest part of your income in an interest-bearing trust fund (savings accounts, stocks, bonds, etc.). These funds can be used to acquire or construct a new fishing vessel or to reconstruct or recondition one you already own. You can establish a fund for any or all vessels you own.

**Qualifying vessels.** If you are a citizen of the United States who owns or leases an eligible vessel, you may enter into an agreement to establish a CCF. To be eligible, a vessel must:

1) Be built or rebuilt in the United States,
2) Have a home port in the United States if it weighs between 2 and 5 net tons,
3) Be documented under the laws of the United States if the vessel weighs 5 net tons or more, and
4) Be operated in the foreign or domestic commerce of the United States or the fisheries of the United States.

***Note:*** Any vessel constructed outside the United States but documented under the laws of the United States on April 15, 1970, or any vessel constructed outside the United States for use in United States foreign trade in accordance with a contract entered into before April 15, 1970, is both eligible and qualifying for purposes of establishing a CCF.

## CCF Accounts

Each CCF fund has three separate bookkeeping accounts which you must maintain. These accounts are:

1) The capital account,
2) The capital gain account, and
3) The ordinary income account.

A deposit to the capital account does not generate a CCF tax deduction. A deposit to a capital gain account defers tax on the capital gain portion of a sale or other disposition if the net proceeds from the transaction are deposited in the fund. A deposit to the ordinary income account generates a deduction by reducing your taxable income.

**Capital account.** The capital account includes:

1) Amounts attributable to your depreciation deduction for the agreement vessels,
2) Amounts attributable to the net proceeds from the sale or disposition of the agreement vessels, or any insurance or indemnity proceeds (not including the portion that represents gain), and
3) Amounts representing tax-exempt interest on CCF investments in state and local bonds.

**Capital gain account.** The capital gain account consists of:

1) Amounts representing capital gains, on assets held in the fund for more than 6 months from the sale or disposition of any agreement vessel, or the insurance or indemnity proceeds attributable to an agreement vessel, or
2) The amount of:
   a) Gains from fund investments held in the fund, ***less***
   b) Amounts representing capital losses on assets held in the fund for more than six months.

**Ordinary income account.** The ordinary income account consists of:

1) Amounts attributable to the taxable income from the agreement vessel operations, without regard to any net operating loss carryback or net capital loss,
2) Amounts representing capital gains on assets held in the fund six months or less from:
   a) The sale or disposition of agreement vessels, insurance or indemnity proceeds, and fund investments, ***less***
   b) Amounts representing capital losses on assets held in the fund for six months or less,
3) Interest (not including tax-exempt interest from state and local bonds) and other ordinary income received, and
4) Ordinary income (depreciation recapture), if any, from the sale or other disposition of any agreement vessel or insurance or indemnity proceeds attributable to any agreement vessel.

## CCF Contributions

You can exclude from taxable income any amounts you deposit in your CCF account coming from the following sources:

1) Earnings from the operation of the agreement vessels,
2) Gain from sales or other dispositions of, or from insurance on, agreement vessels (if the net proceeds from the transaction are deposited in the fund), and
3) Earnings of the fund.

**Earnings from vessel operations.** You can reduce your taxable income for the tax year (without regard to the carryback of any net operating loss or net capital loss) by the amount of earnings attributable to the operation of the agreement vessel in the fisheries of the United States.

**Dispositions.** Exclude from income tax gain on the disposition of a vessel covered by an agreement if the net proceeds from the sale or other disposition of, or from insurance on, the vessel is deposited into the fund. Also exclude from tax ordinary income from depreciation recapture.

**Investment earnings.** Exclude from gross income earnings from investment and reinvestment of amounts held in the fund. Report any amounts earned as interest or dividends, that are held in your CCF account, on the appropriate form or schedule for the tax return you file. Identify the amounts as ***CCF earnings.*** Then subtract the same amounts and identify them as ***CCF deposits.***

### Contribution Ceilings

The amount that you can deposit for any tax year cannot exceed the sum of:

1) The taxable income from your fishing vessel operations (without regard to any net operating loss (NOL) carryback or net capital loss),
2) The deduction for depreciation allowable on your fishing vessel,
3) Any net proceeds (not included in (1) above) from the sale or disposition of an agreement vessel or insurance or indemnity received on the vessel, and
4) The receipts from the investment or reinvestment of the fund assets.

### How To Take the Deduction

Do not deduct a CCF investment on Schedule C or C–EZ (Form 1040). To take the deduction, subtract the deduction from the amount that would normally be entered as taxable income on line 37 (Form 1040). In the margin to the left of line 37, write ''CCF'' and the amount of the deduction.

***Note:*** If you take a deduction for a CCF contribution and must complete other forms such as Form 6251 or the worksheets for Schedule D, you will need to make an extra computation. When the other form tells you to use an amount from line 35, Form 1040, do not use that amount. Instead, add lines 36 and 37, Form 1040, and use that amount.

***Self-employment tax.*** You must figure your self-employment tax by transferring your net profit or loss from line 31, Schedule C (Form 1040) or line 3, Schedule C–EZ (Form 1040), to line 2, Schedule SE (Form 1040). Do ***not*** reduce the net profit or loss from your fishing business by the amount deposited in the CCF.

## CCF Withdrawals

Withdrawals from a CCF account, approved by the NMFS for payment towards fishing vessels you will construct, reconstruct, or acquire with the money in your CCF account, are qualified withdrawals. Any other withdrawal is a nonqualified withdrawal.

Examples of nonqualified withdrawals are amounts remaining in a CCF upon termination of the fund and payments against indebtedness in excess of basis. If NMFS determines that the balance in your CCF exceeds the amount that is appropriate to meet the objectives of the vessel construction program, the excess will be treated as a nonqualified withdrawal unless you develop appropriate program objectives within 3 years to dissipate the excess.

***Note:*** The ''acquisition, construction, or reconstruction of a qualified vessel '' includes acquiring a vessel through either purchase or lease of a vessel for a period of 5 years or more.

### Tax Treatment of Qualified Withdrawals

A qualified withdrawal from either the ordinary income account or the capital gain account reduces the depreciable basis of your fishing vessel by 100% of the withdrawal.

Qualified withdrawals from a CCF shall be treated as:

- First, as made from the capital account,
- Second, as made from the capital gain account, and
- Third, as made from the ordinary income account.

### Tax Treatment of Nonqualified Withdrawals

Nonqualified withdrawals made from either the ordinary income account or the capital gain account of a CCF are taxed separately from other gross income at the highest marginal tax rate. You treat any nonqualified withdrawal you make in the following order:

- First, as made from the ordinary income account,
- Second, as made from the capital gain account, and
- Third, as made from the capital account.

In any tax year in which you make a nonqualified withdrawal, you figure the tax on the amount of the nonqualified withdrawal separately from other gross income. Exclude from your gross income the amount of the withdrawal. To figure the tax on the nonqualified withdrawal, you multiply the withdrawal amount by the highest rate of tax.

**Interest.** Interest is assessed on the additional tax due to a nonqualified withdrawal. The period for the interest begins on the last date for paying tax for the tax year in which you deposited the amount in the CCF and ends on the last date for paying tax for the tax year in which you make the nonqualified withdrawal. The interest rate on the nonqualified withdrawal is simple interest. The interest rate is subject to change annually. For more information on computing the interest, see Regulation 3.7(e). The current interest rate can also be obtained by calling National Marine Fisheries Service at (301) 713–2393.

Attach a statement to your tax return that shows the computation of both the tax and interest for the nonqualified withdrawal.

***Interest deduction.*** Interest paid on a nonqualified withdrawal is allowable as an interest deduction as a trade or business expense.

Include the tax and interest for the nonqualified withdrawal on line 51 of Form 1040. To the left of line 51, write the amount of tax and interest and ''CCF.''

**Tax benefit rule.** If any portion of your nonqualified withdrawal is properly attributable to contributions (not earnings on the contributions) you made to the fund and they did not reduce your tax liability for any tax year prior to the withdrawal year, the tax treatment is as follows:

1) The portion that did not reduce your tax liability for any year prior to the withdrawal year is not taxed, and
2) An amount equal to that portion is allowed as a net operating loss deduction.

***Amounts not withdrawn from fund after 25 years.*** Amounts not withdrawn from a fund after 25 years from the date deposited are taxed as nonqualified withdrawals. There are percentages beginning with year 26 and later that determine the amount of the nonqualified withdrawal.

**More information.**

This section briefly discusses the CCF program. For more detailed information, see section 607 of the Merchant Marine Act of 1936 as amended (46 USC 1177), section 7518 of the Internal Revenue Code, and the Code of Federal Regulations, 26 C.F.R. Part 3 and 50 C.F.R. Part 259. You may also obtain a free question-and-answer type publication about the CCF program from:

National Marine Fisheries Service
Capital Construction Fund Program
1335 East-West Highway, 5th Floor
Silver Spring, MD 20910
Telephone: (301) 713–2393

# How Do You Claim Fuel Tax Credits and Refunds?

You may be eligible to claim a credit on your income tax return for federal excise tax you pay on certain fuels used for a nontaxable use. You may also be eligible to claim a quarterly refund of the fuel taxes during the year, instead of waiting to claim a credit on your income tax return.

Instead of paying the fuel tax and filing for a credit or refund, you may be able to buy certain fuel tax free. For more information, see *How To Buy Fuel Tax Free,* later.

## Nontaxable Uses

This section discusses the nontaxable uses that are of particular interest to fishermen. For information about credits and refunds for fuels used for nontaxable uses not discussed in this section, see Publication 378.

**Use in commercial fishing boats.** You may be eligible to claim a credit or refund of excise tax included in the price of fuel used in a commercial fishing boat.

Commercial fishing boats include only watercraft used in taking, catching, processing, or transporting fish, shellfish, or other aquatic life for commercial purposes, such as selling or processing the catch, on a specific trip basis. They include boats used in both fresh and salt water fishing. They do not include boats used for both sport fishing and commercial fishing on the same trip. Fuel used in aircraft to locate fish is not fuel used in commercial fishing.

**Off-highway business use.** You may be eligible to claim a credit or refund of excise tax included in the price of fuel if you use the fuel in an off-highway business use.

Off-highway business use is any use of fuel in a trade or business or in any income-producing activity. It does not include use in a highway vehicle registered for use on public highways. Do not consider any use in a boat as an off-highway business use.

***Examples.*** Off-highway business use includes fuels used:

1) In stationary machines such as generators, compressors, and similar equipment, and
2) For cleaning purposes.

## How To Claim a Credit or Refund

This part tells you when and how to claim a credit or refund of excise taxes included in the price of fuels you use for a nontaxable use.

### Claiming a Credit

You claim a credit on ***Form 4136*** and attach it to your income tax return. Do not claim a credit for any tax for which you have filed a refund claim.

**When to claim a credit.** You can claim a fuel tax credit on your income tax return for the year you used the fuels. Also, you may be able to claim a fuel tax credit on an amended return for that year. You must file the claim within the time prescribed by law. Ordinarily, you must file an amended return by the ***later*** of 3 years from the date you filed your original income tax return or within 2 years from the time you paid the income tax. A return filed early is considered to have been filed on the due date.

**How to claim a credit.** As an individual, you claim the credit on line 57 of Form 1040. Check box b on line 57. If you would not otherwise have to file an income tax return, you must do so to get a fuel tax credit. See the instructions for Form 1040.

### Claiming a Refund

You may be eligible to claim a refund during the tax year rather than waiting until you file your income tax return for the year to claim a credit.

**Form 8849.** If you meet the quarterly amount requirements, you can use Form 8849 to file a claim for refund. Fill out the appropriate lines and follow the line instructions for additional information you need to include with your claim for refund.

**Quarterly amount requirements.** You can file a quarterly refund claim for any of the first three quarters of your tax year for which you qualify. To qualify for a quarterly refund, you must claim the following amounts for fuel used during the quarter:

1) At least $1,000 for ***gasoline*** used for a nontaxable use.
2) At least $1,000 for ***special motor fuels*** and ***compressed natural gas*** used for a nontaxable use.
3) At least $750 for ***diesel fuel*** used for a nontaxable use.

These quarterly amount requirements apply to the first three quarters of your tax year. You must meet the requirement for each category for which you are making a refund claim. Generally, you cannot claim a refund if you do not meet the requirement for the quarter. To claim the amount, you must file a claim for credit on Form 4136.

If you do not meet the quarterly amount (at least $750) for the third category, carry the amount to the next quarter to determine if you can claim at least $750 for that quarter.

***Fourth quarter claims.*** You cannot file a quarterly claim for refund for the fourth quarter of your tax year. File claims for the fourth quarter as a credit on your income tax return.

**When to file a quarterly claim.** You must file a quarterly claim by the last day of the quarter following the end of the quarter for which the claim is being filed. If you file your claim late, you are not allowed a refund. Instead, you add the disallowed refund amount to any claim for credit and claim it on your income tax return, as explained earlier.

### Including the Credit or Refund in Income

Include any credit or refund of excise taxes on fuels in your gross income if you deducted the taxes as an expense that reduced your income tax liability.

If you use the cash method of accounting and file a claim for ***refund,*** include the refund in your gross income for the tax year in which you receive the refund. If you claim a ***credit*** on your income tax return, include the credit in gross income for the tax year in which you file Form 4136. If you file an ***amended return*** and claim a credit, include the credit in gross income for the tax year in which you receive it.

***Example.*** Ed Brown, a cash basis fisherman, filed his 1996 Form 1040 on March 1, 1997. On his Schedule C, Ed deducted the total cost of gasoline (including $110 of excise taxes) used in his commercial fishing vessel. Then, on Form 4136, Ed claimed the $110 of excise tax paid on the gasoline as a credit. Ed reports the $110 as additional income on his 1997 Schedule C.

## How To Buy Fuel Tax Free

Instead of paying the fuel tax and filing a claim for credit or refund when the fuel is used for a nontaxable use, you may be eligible to buy it tax free.

**Diesel fuel.** You can buy dyed diesel fuel tax free for use for a nontaxable use, such as in a boat used in commercial fishing. You must buy the fuel from a person who is registered with the IRS. However, if you use the dyed diesel fuel for a taxable use, you could be subject to the excise tax and a penalty.

***Note.*** In some states (including Alaska) you may be able to buy undyed diesel fuel tax free for use for a nontaxable use.

**Gasoline.** Your supplier may be able to sell you gasoline at a tax-free price only for use in a ***vessel employed in commercial fishing.*** You may not buy gasoline for any other use at a tax-free price.

Your supplier may be eligible to claim a credit or refund of the excise tax on the gasoline sold to you at a tax-free price. Refer your supplier to Publication 510 for details.

To buy gasoline at a tax-free price, give your supplier a signed certificate identifying you and stating how you will use the gasoline. You do not need to renew the certificate as long as the information it contains continues to be correct.

**Exemption certificate.** The following is an acceptable exemption certificate:

Date ______________________________

The undersigned (''Buyer'') hereby certifies that Buyer bought or will buy for use in a vessel employed in commercial fishing
(Check the applicable type of certificate)
_____The (quantity) _________ of gasoline, or
_____ALL the gasoline it buys
at a price that does not include the excise tax from:
Name of seller: ______________
Address of seller: ______________
If the gasoline is not used as specified above, Buyer will so notify the person to whom Buyer gives this certificate. Buyer has not and will not claim a refund or credit under section 6421 of the Internal Revenue Code for the excise tax on this gasoline.
Buyer understands that Buyer or any other party may, for fraudulent use of this certificate, be subject to a fine or imprisonment, together with the costs of prosecution.
Signature ______________________
Title ______________________
TIN ______________________
Address ______________________

# Schedule C Example

This section gives an example of how to fill out Schedule C (Form 1040). The example uses the situation of Frank Carter who owns and operates a fishing boat. His completed return is at the end of this section.

Frank Carter is a sole proprietor who owns and operates a fishing boat. He uses the cash method of accounting and files his return on a calendar year basis. He keeps his business records with a single-entry bookkeeping system, similar to the sample record system illustrated in Publication 583.

Frank has two crew members, Bill Brown and Joe Green, who are considered self-employed for social security, Medicare, and federal income tax withholding purposes. After certain boat operating expenses are paid, the proceeds from the sale of the catch are divided 76% to Frank and 12% to each crew member.

Frank figures his net profit or loss from his fishing business by subtracting his fishing expenses from his gross income from fishing on Schedule C. He then reports the net profit or loss on ***line 12, Form 1040.***

## Schedule C (Form 1040)

First, Frank fills in the information required at the top of Schedule C. On line A, he enters ''Fishing, commercial'' and on line B, he enters 2246, the 4-digit business code for commercial fishing. He then completes items C through H.

### Part I—Income

Frank figures his gross income from fishing in Part I.

**Line 1.** Frank had sales of $60,288 for the year. This includes all the fish he caught and sold during the year. He enters his total sales on line 1.

**Line 3.** Because Frank did not have any returns and allowances to report on line 2, line 3 is the same as line 1.

**Line 5.** Because Frank did not have any cost of goods sold to report on line 4, line 5 is the same as line 3.

**Line 6.** Frank's entry of $712 represents a $612 patronage dividend he received from his local cooperative and a $100 fuel tax credit he claimed on the 1995 Form 1040 he filed on March 1, 1996. The patronage dividend was reported to him on Form 1099–PATR, *Taxable Distributions Received From Cooperatives.*

**Line 7.** Frank's gross income from fishing includes his gross profit from line 5 and his other income from line 6.

### Part II—Expenses

Frank enters his fishing expenses in Part II.

**Line 10.** Frank used his truck 80% for business during the year. He spent a total of $505 for gas, oil, insurance, tags, repairs, and upkeep. He can deduct $404 (80% × $505) on line 10.

**Line 13.** Frank enters the $6,534 depreciation from Form 4562 (not shown).

**Line 15.** Frank's $3,291 deduction is for insurance on his business property (truck insurance included in line 10). The deduction is only for premiums that give him coverage for the year.

**Line 16b.** Frank had borrowed money to buy his fishing boat. The interest on this loan was $800 for the year.

**Line 20b.** His rent for his mooring space was $6 a month, or $72 for the year.

**Line 21.** He spent $3,600 for vessel repairs and $993 for gear repairs for a total cost of $4,593.

**Line 22.** He spent $1,713 for galley supplies and $4,751 for bait and ice for a total cost of $6,464.

**Line 23.** Frank renewed his fishing license. He enters the $35 state fee on this line.

**Line 26.** Frank paid his crew members total crew shares of $10,992 for the year. He does not include any amount he paid to himself or withdrew from the business for his own use.

**Line 27.** Frank enters the total of his other fishing expenses on this line. These expenses are not included on lines 8–26. He lists the type and the amount of the expenses separately in Part V of page 2 (not shown), and carries the total entered on line 48 to line 27. His only entry on this line is the $6,367 he spent on fuel for his fishing boat.

**Line 28.** Frank adds all his deductions listed in Part II and enters the total on this line.

**Line 29.** He subtracts his total deductions (line 28) from his gross income from fishing (line 7). Frank has a tentative profit of $21,448.

**Line 30.** Frank did not use any part of his home for business, so he does not make an entry here.

**Line 31.** Frank has a net profit of $21,448 (line 30 minus line 29). He enters his net profit here, on line 12 of Form 1040, and on line 2, Section A of Schedule SE (Form 1040) (not shown).

**SCHEDULE C (Form 1040)**

Department of the Treasury Internal Revenue Service

# Profit or Loss From Business

(Sole Proprietorship)

▶ Partnerships, joint ventures, etc., must file Form 1065.

▶ Attach to Form 1040 or Form 1041. ▶ See Instructions for Schedule C (Form 1040).

OMB No. 1545-0074

**1996**

Attachment Sequence No. 09

Name of proprietor: FRANK CARTER

Social security number (SSN): 111 00 1111

A Principal business or profession, including product or service (see page C-1): FISHING, COMMERCIAL

B Enter principal business code (see page C-6) ▶ 2246

C Business name. If no separate business name, leave blank.: CAP'N FRANK'S

D Employer ID number (EIN), if any: 10 9999999

E Business address (including suite or room no.) ▶ 215 Seagull Drive
City, town or post office, state, and ZIP code: Hometown, OR 97331

F Accounting method: (1) ☑ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

G Did you "materially participate" in the operation of this business during 1996? If "No," see page C-2 for limit on losses. ☑ Yes ☐ No

H If you started or acquired this business during 1996, check here ▶ ☐

## Part I Income

| | | | |
|---|---|---|---|
| 1 | Gross receipts or sales. **Caution:** *If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see page C-2 and check here* ▶ ☐ | 1 | 60,288 |
| 2 | Returns and allowances | 2 | |
| 3 | Subtract line 2 from line 1 | 3 | 60,288 |
| 4 | Cost of goods sold (from line 42 on page 2) | 4 | |
| 5 | **Gross profit.** Subtract line 4 from line 3 | 5 | 60,288 |
| 6 | Other income, including Federal and state gasoline or fuel tax credit or refund (see page C-2) | 6 | 712 |
| 7 | **Gross income.** Add lines 5 and 6 ▶ | 7 | 61,000 |

## Part II Expenses. Enter expenses for business use of your home only on line 30.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 8 | Advertising | 8 | | 19 | Pension and profit-sharing plans | 19 | |
| 9 | Bad debts from sales or services (see page C-3) | 9 | | 20 | Rent or lease (see page C-4): | | |
| | | | | | a Vehicles, machinery, and equipment | 20a | |
| 10 | Car and truck expenses (see page C-3) | 10 | 404 | | b Other business property | 20b | 72 |
| 11 | Commissions and fees | 11 | | 21 | Repairs and maintenance | 21 | 4,593 |
| 12 | Depletion | 12 | | 22 | Supplies (not included in Part III) | 22 | 6,464 |
| | | | | 23 | Taxes and licenses | 23 | 35 |
| 13 | Depreciation and section 179 expense deduction (not included in Part III) (see page C-3) | 13 | 6,534 | 24 | Travel, meals, and entertainment: | | |
| | | | | | a Travel | 24a | |
| 14 | Employee benefit programs (other than on line 19) | 14 | | | b Meals and entertainment | | |
| 15 | Insurance (other than health) | 15 | 3,291 | | c Enter 50% of line 24b subject to limitations (see page C-4) | | |
| 16 | Interest: | | | | | | |
| a | Mortgage (paid to banks, etc.) | 16a | | | d Subtract line 24c from line 24b | 24d | |
| b | Other | 16b | 800 | 25 | Utilities | 25 | |
| 17 | Legal and professional services | 17 | | 26 | Wages (less employment credits) | 26 | 10,992 |
| 18 | Office expense | 18 | | 27 | Other expenses (from line 48 on page 2) | 27 | 6,367 |

| | | | |
|---|---|---|---|
| 28 | **Total expenses** before expenses for business use of home. Add lines 8 through 27 in columns ▶ | 28 | 39,552 |
| 29 | Tentative profit (loss). Subtract line 28 from line 7 | 29 | 21,448 |
| 30 | Expenses for business use of your home. Attach **Form 8829** | 30 | |
| 31 | **Net profit or (loss).** Subtract line 30 from line 29. • If a profit, enter on **Form 1040, line 12,** and ALSO on **Schedule SE, line 2** (statutory employees, see page C-5). Estates and trusts, enter on Form 1041, line 3. • If a loss, you MUST go on to line 32. | 31 | 21,448 |

32 If you have a loss, check the box that describes your investment in this activity (see page C-5).
• If you checked 32a, enter the loss on **Form 1040, line 12,** and ALSO on **Schedule SE, line 2** (statutory employees, see page C-5). Estates and trusts, enter on Form 1041, line 3.
• If you checked 32b, you MUST attach **Form 6198.**

32a ☐ All investment is at risk.
32b ☐ Some investment is not at risk.

**For Paperwork Reduction Act Notice, see Form 1040 instructions.** Cat. No. 11334P **Schedule C (Form 1040) 1996**

## How To Get More Information

You can get help from the IRS in several ways.

**Free publications and forms.** To order free publications and forms, call 1–800–TAX–FORM (1–800–829–3676). You can also write to the IRS Forms Distribution Center nearest you. Check your income tax package for the address. Your local library or post office also may have the items you need.

For a list of free tax publications, order Publication 910, *Guide to Free Tax Services.* It also contains an index of tax topics and related publications and describes other free tax information services available from IRS, including tax education and assistance programs.

If you have access to a personal computer and modem, you also can get many forms and publications electronically. See *Quick and Easy Access to Tax Help and Forms* in your income tax package for details. If space permitted, this information is at the end of this publication.

**Tax questions.** You can call the IRS with your tax questions. Check your income tax package or telephone book for the local number, or you can call 1–800–829–1040.

**TTY/TDD equipment.** If you have access to TTY/TDD equipment, you can call 1–800–829–4059 to ask tax questions or to order forms and publications. See your income tax package for the hours of operation.

# Index